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Pension World

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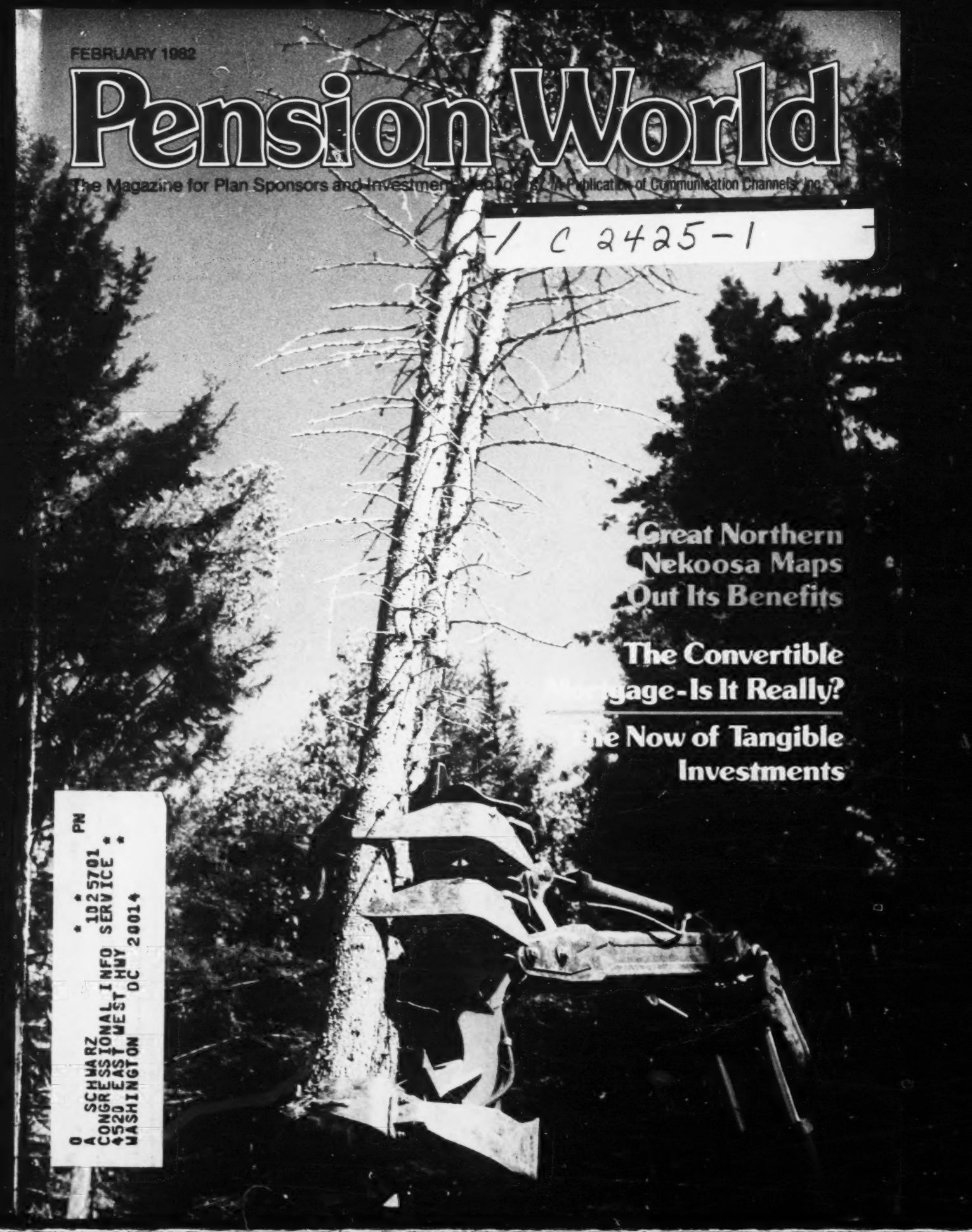

Great Northern Nekoosa Maps Out Its Benefits

The Convertible ...gage-Is It Really?

...e Now of Tangible Investments

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Pension World

February 1982
Volume 18 Number 2

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Cover: **Great Northern Nekoosa Corp.'s automatic tree harvesting operation in Millinocket, Maine, is as effective as its benefits program. How the firm operates its benefits plans begins on page 14.**

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Investment-grade stamps—suitable for pension plans?

Slowly, the need for new investment opportunities is being recognized, and innovative products are being considered and, in a few cases, have already been developed. This article discusses a very narrow aspect and usage of the emerging nontraditional investment environment — acquisition of investment-grade U.S. postage stamps for employee benefit plans.

Let it be stated initially that the purchase of stamps (or any other tangible asset) is not advocated as a replacement for traditional assets. Financial portfolios utilizing a combination of stocks, bonds, insurance, and cash equivalents are the backbone of any well-administered employee benefit plan. Tangibles, such as rare stamps, should be considered only as a supplement to traditional investments, and then only in accounts where such investments fit the philosophy of plan decision-makers. The purchase of stamps should be purely an economic decision based upon suitability after considering plan objectives. The following represents a case for considering the use of investment-grade stamps in qualified plans. The risks are also discussed, as well as the means for overcoming obstacles posed by such an investment.

The following factors constitute an ideal investment for any qualified plan:

1. The investment should produce a long-term return or increase in value at a rate exceeding the rate of inflation.

2. Return or income should preferably be consistent, not subject to wide fluctuations during economic cycles that could result in unfavorable timing should a sale be necessary for distribution of plan assets.

3. The supply of the investment assets should be fixed or limited.

4. The asset should be portable or easily managed so that overseeing the investment does not become a problem.

5. The tax effect of owning the investment should be favorable, not disadvantageous.

6. The asset should be readily salable.

7. There should be a consistent means of determining the value of the asset.

How do stamp investments fit in with these factors?

Exceeding the inflation rate

Salomon Brothers, the nation's largest investment banking house, has published an annual survey for the past five years which compares the relative performance of tangible and financial assets (Table I). This survey has shown each year, for five- and 10-year investment commitments, that tangible assets have consistently outperformed financial assets and the Consumer Price Index (CPI). Rare stamps have been one of the top assets in all time periods in each survey.

To determine these increases for stamps, Salomon Brothers has used values as listed in the *Scott United States Stamp Catalog*. Certainly any knowledgeable philatelist would admit that these catalog values bear little reality to the prices of investment-grade stamps. Many of the higher quality stamps (those rated very fine and extremely fine) would sell for some multiple of the Scott Catalog value. Nonetheless, the year-to-year changes in Scott Catalog prices paint a rather accurate picture of the trends in individual stamp growth rates and of the stamp market in general.

All 1979-82 catalog values for stamps issued in the United States between 1847 (the first issue) and 1920 (generally considered to be the latest date for investment quality stamp issues) were entered into a computer. All stamps with a 1982 catalog value under $10 were eliminated. Table II shows the results of a data search by annual compound increase in value. Impressive as these are, knowledgeable philatelists generally agree that stamps in the finest condition increase at a rate greater than these catalog values.

It should be pointed out that many of those stamps that show a compound annual increase of 0 to 9 percent are stamps of extremely high value that are so rare they have not traded between valuation periods. Thus, the cataloger has no basis upon which to value the item higher. If such an item does come up for sale, however, it would typically show a huge increase in value in the catalog year in which the sale price became known.

Consistent return

As we all know, both the stock and bond markets have endured dramatic fluctuations during economic cycles over the years. Many plan participants have suffered as a result of taking a substantial distribution during a market bottom. Although stamp and other tangible markets experience periods of slowdown and, in some cases, decline, the *Scott U.S. StampIndex* (published quarterly) graphically represents the stability of the growth in stamp values over a period of years. This graph (Table III) represents the increase in value of a group of "prime investment quality" stamps as selected by the Scott

by **PAUL D. KADAVY**
Executive Vice President
First Northwestern Trust of Nebraska
Omaha, Nebr.

Table I Compound Annual Rates of Return

	10 Years	Rank	5 Years	Rank	1 Year	Rank
Oil	30.8%	1	20.9%	5	14.3%	6
Gold	28.0	2	30.7	3	-13.9	14
Oriental Carpets	27.3	3	20.9	6	-0.2	11
U.S. Coins	27.1	4	29.7	4	-8.0	12
U.S. Stamps	23.5	5	32.9	1	18.0	4
Chinese Ceramics	22.9	6	30.7	2	36.5	1
Silver	21.5	7	20.1	7	-26.6	16
Rare Books	16.8	8	13.8	11	18.0	5
Old Masters	15.4	9	16.8	9	22.9	3
Farmland	14.6	10	14.8	10	9.7	8
Diamonds	14.5	11	16.9	8	0.0	10
Housing	10.3	12	11.6	12	8.1	9
CPI	8.3	13	9.7	14	10.0	7
Stocks	5.8	14	9.8	13	25.3	2
Foreign Exchange	5.3	15	3.1	15	-17.3	15
Bonds	3.8	16	1.1	16	-9.6	13

All returns for the period ending June 1, 1981, based on latest available data. Source: Salomon Brothers

staff. Certainly the broad and ever increasing collector base has been the key factor in maintaining a stable market. Also, there is very little leveraged buying done in stamps, which tends to reduce the dramatic up and down periods that occur with margin purchases of stocks.

Limited or fixed supply

This is an economic fundamental. The interrelationship between supply and demand is the obvious factor that governs price. In theory, the financial markets could issue an infinite amount of securities. The Federal government has shown a propensity to do this with debt securities. No end is in sight, with Federal deficits projected by the Administration to exceed $100 billion per year through fiscal 1984. Thus, with such a large supply of Treasury securities, an incredible demand will be necessary in order to support this supply.

The extent of this supply/demand ratio has implications for all financial markets. There is an absolutely fixed supply of investment-grade stamps. In fact, there is a slightly declining supply due to the fact that some items are sure to be lost, damaged, burned or mishandled with the passage of time. A range of the total supply of truly investment-grade U.S. stamps would be between $200-400 million. Of this supply, probably 20 percent ($60 million) changes hands annually through auction or private sale. By contrast, the New York Stock Exchange handles on average about 40 million shares with a value of slightly over $1¼ billion *per day*. The commodities market is many times larger. Certainly the total demand for these financial assets is incredibly large compared with the demand for rare stamps. But even if a small fraction of 1 percent of these dollars spent in the traditional marketplaces should be transferred over time to the stamp market, the implications are obvious — substantially increasing stamp prices due to the fixed supply.

Asset portability

This does not mean the ability to grab what you have and flee the country in the wake of an enemy invasion. Yet there are many true stories of people using rare stamps, art, coins, gold, diamonds, etc., to buy their way out of tyranny (i.e., Nazi Germany, Vietnam) or to allow for easy transfer of assets to a new destination. The concern here is simply the ability to move assets physically in a society that tends to be very mobile. Direct ownership of investment real estate, for example, could cause a problem for the investor. Portability would not likely be a problem, however, in employee benefit plan administration.

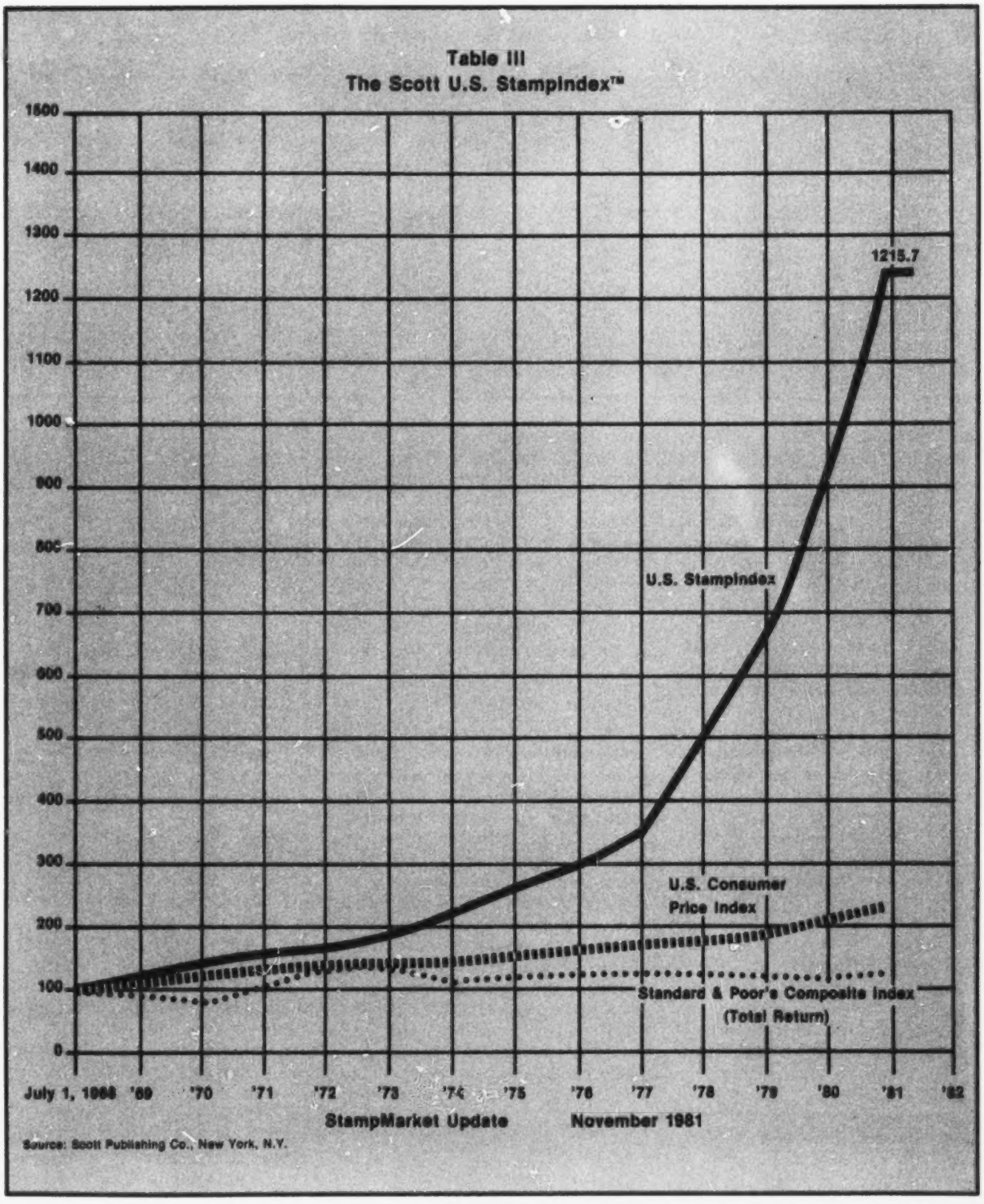
Tax effect

The tax effect of personal ownership of stamps is obvious. There is no current income tax since there is no current income. This would be a real advantage to the wealthy investor in a high tax bracket who does not need current income for cash flow from all assets. Gains (after one year) would be taxed a capital gains rate at the time the investor chooses to liquidate. In employee benefit accounts, the tax effect for stamps is the same as for any other asset. There is no income tax consequence until distribution is made from the plan. The recipient would then declare the distributions as ordinary income.

Table II Compound Growth

Number of Stamps	Average Annual Compound Growth in Catalog Value
2	Over 80%
3	70-79%
4	60-69%
26	50-59%
51	40-49%
63	35-39%
132	30-34%
187	25-29%
207	20-24%
174	15-19%
73	10-14%
40	5- 9%
9	0- 4%

Special mention should be made of section 314(b) of the Economic Recovery Tax Act of 1981. This section provides for unfavorable tax treatment for "collectible" assets purchased in individually directed qualified plans. After December 31, 1981, any such purchases are treated as a distribution in an amount equal to the cost of the asset. Stamps are specifically included in the definition. Hearings were held on December 4, 1981, in Congress concerning possible repeal of this provision. Although I have heard some optimism, many people associated with tangible assets feel that more lobbying will be necessary and that early repeal is unlikely.



It is interesting to note that Congress placed no restriction on fiduciaries if they are willing to exercise discretion to purchase tangible assets in qualified plans. It is also interesting that two government agencies, the Treasury Department and the Department of Labor, are apparently at odds on their positions regarding the usage of tangibles in such plans. The Bureau of National Affairs' *Daily Tax Report* (August 11, 1981) reported: "According to sources at the Treasury Department which knew of the change [section 314(b)] in advance and didn't object to it, professional pension managers are more neutral and less emotional in making investment decisions. They also tend to be skeptical of speculative investments in collectibles because of the risks that come with that kind of asset."

On the other hand, the DOL

1982: The year for rare stamps and coins?

According to one financial expert who specializes in rare stamps and coins, 1982 will prove a bonanza year for investment in these commodities.

"The year 1982 will go down in history as a tremendous opportunity for investments in rare stamps and coins, because today's investors will be buying close to the bottom of the market," says George Manter, president of Financial Investment Rarities, Inc., a Ft. Lauderdale, Fla., firm that acts as a professional agent and broker for philatelic and numismatic investments for pension plans and trusts.

Manter's reason for believing the market in these collectibles is at bottom now is that prices of gold and silver bullion are depressed, and, according to him, a direct correlation exists between these prices and the prices of rare stamps and coins. Manter says gold and silver prices affect investors' psyches, and with collectibles, as with other investments, the time to buy is when the market is down.

When shopping for rare stamps and coins, the three most important characteristics are quality, rarity, and price, in that order; but Manter says that all three are necessary for a good investment for a pension plan. "Quality is obviously the most important," he acknowledges, "but if the quality is too high, the price will be so high that you'll never be able to make a profit."

According to the tangibles expert, "blue chip" rare stamps have appreciated historically at an annual rate of 30 percent, while investments in rare coins have appreciated at a rate of 26.7 percent a year. Manter recommends buying rare stamps and coins as supplements to the pension portfolio, rather than as substitutes for other assets.

Three to five years is the minimum holding period before liquidating a portfolio of rare stamps or coins, but even longer is better, Manter advises. "Which is why now is a good time to buy," he says. "The time is today."

opened the door to tangibles in its ruling, which was published in the *Federal Register* (Vol. 44, No. 124) on June 26, 1979. In part, the rules state:

> The Department is of the opinion that generally the relative riskiness of a specific investment or investment course of action does not render such investment or investment course of action *per se* prudent or *per se* imprudent.

Salability

One of the principal concerns people have about investing in tangible assets has to do with resale. Things that seem easy to buy somehow do not seem as easy to sell. As far as the stamp market is concerned, few people realize the extent of sources available for sale of philatelic material. For investment-grade stamps, the principal source would be major auction houses or substantial dealers who are reliable experts in their field. A stamp auction is going on somewhere in the United States almost every day through over 80 auction houses. A dozen or so of these could be classified as major auction houses with whom a stamp investor would likely be dealing whether buying or selling.

The most reputable houses represent the true market for the stamp business and provide a valuable resource for measuring pricing levels of stamps of all grades and condition. For investors concerned about liquidity, many auction houses will advance up to 60 percent of the expected net sale realization to the consignor immediately upon delivery. The balance would typically be paid within 30 to 45 days following the auction. Most major dealers are willing to pay in full immediately for valuable material.

Valuation

As pointed out earlier, although Scott Catalog values are a good indicator of year-to-year trends in stamp prices, they seldom reveal the market price of any specific stamp since Scott quotes prices for stamps in fine condition that have been hinged. Stamp investors should always insist on items of higher quality. Thus, the price paid initially and realized upon sale will almost always be higher than catalog values.

The best sources for valuation are knowledgeable philatelists who deal in rare stamps as a full-time career and price realizations from auction houses. The latter is perhaps less desirable since, unless the item at auction was examined by a knowledgeable person, there is no way of knowing if the auction describer wrote an accurate description of that item. Although total accuracy in valuations would be impossible, a narrow range of values, as in a real estate appraisal, can be obtained at reasonable cost.

Coping with risk

Investing in the stamp market is certainly not without risk. Those risks, however, are entirely different than the risks fiduciaries normally concern themselves with. A stamp investor has things to think about that portfolio managers of stocks or bonds have never heard of. How well the stamp is centered, the condition of the gum, whether repairs have been made, whether other faults exist, the condition of the perforations, the depth of the color, and many other factors can make the purchase price either a steal or highway robbery. *Caveat emptor* applies in these transactions, so unless the buyer has personal capabilities in philatelic matters, great reliance must be placed on someone else.

A trust institution desirous of utilizing such an investment should be capable of seeking out reliable sources of advice for acquiring investment-grade material at a market price. Much caution should be

Table IV **Value of $100,000 Invested in Tangible and Financial Assets for 10 and 5 Years[1]**

A $100,000 Investment In —	Realized a Compounded Annual Growth of (%) for the Past 10 Years and a Value After All Commissions of —	Realized a Compounded Annual Growth of (%) for the Past 5 Years and a Value After All Commissions of —
U.S. Stamps	[2](21.8%) $575,000	[2](31.0%) $309,000
U.S. Coins	(16.0%) $353,000	(21.9%) $215,000
Diamonds	(15.1%) $331,000	(18.3%) $188,000
U.S. Farmland	(12.6%) $311,000	(13.4%) $178,000
Stocks	(6.8%) $187,000	(6.4%) $132,000
Bonds	(6.4%) $186,000	(5.8%) $133,000

[1]Does not consider tax consequences.
[2]Source for percentages: Salomon Brothers, 1980.

exercised, however. Some "investment advisors," for example, tout the purchase of recent issue plate number blocks for investment. In actuality, however, almost without exception, plate blocks issued since 1935 can be purchased in quantity at stamp auctions for less than they originally sold for at the Post Office. A similar problem exists for recent issues of first-day covers. The investor should recognize that with few exceptions stamps issued after 1920 have either limited or no growth potential.

In addition to buying only those issues that have growth potential due to collector/investor demand and quantity issued, it is essential that any fiduciary making stamp investments purchase only the highest quality material obtainable for its accounts. In the past year we have seen softening in the tangible markets due largely to high interest rates. High quality items in the stamp market have continued to fare well during this period of time, whereas off-grade and average materials have experienced significant declines.

The philatelic world also has its fakes, forgeries, and frauds. Fortunately, expert committees, such as the Philatelic Foundation in New York, will examine philatelic material for a fee and will issue a certificate of authenticity for each item found to be genuine. This certificate is not a guarantee, but it is univerally accepted as the final authority.

Employee benefit plans are long-term investors. This fits in well with a key requirement in philatelic investing. To have a reasonable opportunity to outperform financial assets, a minimum five-year holding period commitment is essential. The initial costs involved in acquiring philatelic material are substantial compared to stocks or bonds. At most stamp auctions, a 10 percent premium is paid by the buyer. In addition, there would often be expertization costs, agent fees, or dealer markups. The total acquisition cost could easily add 20 percent or more to the purchase price. In spite of these costs, returns over five- and 10-year periods in stamps and other tangibles have been impressive. Table IV shows these returns after considering all estimated costs of acquisition and liquidation.

Without any question, numerous obstacles must be overcome before the trust industry accepts investing in rare stamps and other tangibles as a common practice. If in-house expertise is unavailable (as is almost always the case), it seems we should be in a strong position to identify the true experts and professionals with whom we could deal in confidence. Many of us rely now on outside services for traditional investment advice.

Some corporate fiduciaries are concerned that tangibles do not produce income. If current income is not really needed, wouldn't the customer be better served by supplementing a traditional portfolio with an investment that has demonstrated the ability to outperform inflation? And in an employee benefit plan, if adequate liquidity is maintained to provide for anticipated payouts to eligible employees, is income even a factor when total return is the obvious consideration?

With an increasing amount of money flowing into tangible assets, questions are often raised about how much of an influx of funds these markets can absorb. As indicated previously, perhaps $60 million of investment-grade U.S. stamps change hands annually. Twenty million dollars could not be invested at one time in this market with the expectation of maintaining any kind of order. It has to be recognized that the usage of stamps as investments must be restricted to those accounts of such size in which a suitable commitment can be reasonably made. In the case of a pension or profit-sharing plan, for example, an investment of up to 10 percent of total plan assets might be appropriate.

Future value

Past performance does not necessarily predict the future. The future increases of stamp values are very much dependent upon the rate of inflation and economic uncertainties. Much of the flow of funds from financial to tangible assets in past years is directly attributable to this uncertainty, led principally by increases in the cost of living.

There is no consensus about the economic future, but educated guesses can be of value. In its *Survey of Economic and Capital Market Expectations,* Peat, Marwick, Mitchell & Co. published financial and economic indicators based upon data received by those responsible for developing economic forecasts or investment policies at 26 leading financial institutions and investment organizations in the United States. The average expectation among these major institutions was that the Consumer Price Index would increase at a compound annual rate of 8.6 percent from 1982 through 1987 and 6.8 percent from 1990 through 2000. A few years ago many economists were saying that this country could not indefinitely survive a 6 percent rate of inflation.

To date, trust institutions have not been willing to commit employee benefit funds to stamps and other tangibles due to perceived risks, obstacles, and a lack of knowledge. For those willing to study in detail the ways of safely entering such a marketplace, the rewards may prove to be gratifying for both the institution and the customer. □

MARCH 1982

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Diamond Shamrock's In-House Strategy

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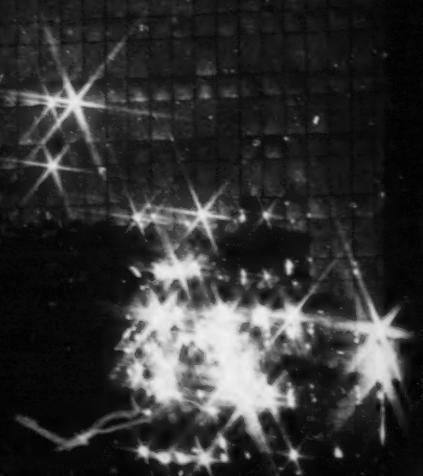

Computers In Employee Benefits

The IRS-Its Impact On Pension Funds

Pension World

March 1982
Volume 18 Number 3

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Features

Plan Sponsor Focus: Diamond Shamrock's in-house strategy by Marie Powers **19**
Despite its conservative characteristics, this $138 million pension fund has made a decisive move in-house. Director of Investments John R. Ring explains why and how.

Internal Revenue Service: Addressing a second generation of employee plans enforcement problems by S. Allen Winborne **25**
In the first of three articles about the Federal agencies that affect pension policy, the Assistant Commissioner explains how the Service is handling new ERISA administration problems at a time of growing concern over excessive government regulation and increasingly limited resources.

Investment Manager Profile: Amivest: Managing funds by strategic allocation by Ronald Derven **32**
When looking for investments, the analysts at this New York City-based firm chart the pulse of the economy and markets to determine direction.

Data Processing: Computer applications for employee benefit plans by Jerone N. Deverman **37**
The president of a systems consulting firm looks at issues facing benefits managers who are trying to determine the most suitable computer systems for their benefits computing needs.

Real Estate Highlight: Investment possibilities in mini-warehouses by Robert H. McClintock **43**
A relatively recent real estate vehicle, the mini-warehouse storage concept, provides an investor with immediate and continuous cash distributions, plus long-term appreciation.

Lump Sum Distribution: A word of caution for the highly compensated by Ronald J. Rakowski **46**
To comply with complex IRS rulings, an executive who is among a company's 25 highest paid employees must plan carefully before electing a lump sum option.

Pension World Basics: Intelligently setting a portfolio asset mix by Gary P. Brinson **65**
The proper combination of assets is vital to a portfolio's long-term performance, according to the chief investment officer at First National of Chicago. Here, he demonstrates the basics needed in determining the optimal asset mix for a fund's specific goals.

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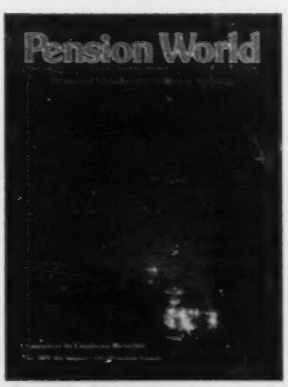

Cover: **Diamond Shamrock Tower stands dramatically against the Dallas sky. In the past year, the company's pension fund management has proven itself equally bold, as related in the story beginning on page 19.**

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International Pension World

West Germany — Is the world's oldest social security system approaching a crisis?

A combination of factors is increasing the social security system's cost to West German taxpayers and may threaten its solvency.

Approximately one hundred years ago, Otto von Bismark, in his desire to maintain a monarchial, militaristic regime and to take the wind out of the sails of the Socialists, inaugurated the world's first state run old-age system. Social security has spread since then, and it is causing problems in many nations — including the country of its origin, West Germany.

The social security system for West Germany provides pension, hospital-medical, sickness-maternity, unemployment, and workers' compensation benefits, and family allowances. Table I shows current contribution rates for various benefits within the social security system. Coverage is compulsory for virtually all people in private employment.

Old-age pensions are based on a formula that takes into account the employee's earnings subject to social security over his or her entire working career, adjusted by the change in the national average earnings up to a point close to retirement. The end result is that most old-age pensions currently granted for those with above-average earnings fall within the range of 40 to 45 percent of final gross earnings up to the contribution limit; for those with average or below earnings, the range is up to 55 percent. Pensions in payment are adjusted each year.

Germany's economic scenario

A combination of factors, i.e., longer life expectancy, oil-induced economic recession, and the labor courts' generosity in mandating changes, is expected to increase the social security system's cost to West German taxpayers and may threaten its long-term solvency.

West Germany, a model of stability for three decades, is suffering from growing economic and political frustrations. Foreigners often look at Germany's current economic sluggishness and its protests and see only minor detours in a phenomenal postwar success story. However, many Germans think that unemployment and slow growth could plague the nation for much of this decade. Some even fear that Germany's famed industrial position could slip permanently. Postwar Germany has felt pressures in the past; but this time economic and political troubles are hitting simultaneously, and pessimism has grown.

For all the concern, Germany's problems seem small by international comparison. The consumer price inflation rate is under 7 percent, and unemployment is under 6 percent. The real Gross National Product (GNP), which increased by 3.6 percent and .2 percent in the two halves of 1980, declined by 1 percent in 1981. Leading German economic institutes predict that the economy will grow by only 1 percent in 1982.

The level of industrial production and use of capacity are low, and company profits are being squeezed. However, there are major qualifications to this discouraging picture. The biggest factor is that West Germany's economic success depends as much on what happens in the U.S. as it does on decisions taken in Bonn or by the Bundesbank in Frankfurt. A German export growth could brake an economic downturn.

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Farnborough, England

Social security solvency

Despite assurances by Chancellor Helmut Schmidt in the 1976 election campaign that West Germany's social security system was sound, the government was forced, not long after it won the election, to make changes in the system that brought calls from the opposition Christian Democrats for Schmidt's resignation.

The heart of the social security problem goes back to a 1957 law that linked old-age benefits to increases in the country's gross wage level. During the 1970's, the indexing system led to increases that averaged 10 percent a year at a time when inflation was only about 3 percent per annum.

In an attempt to reduce pressure, the government slowed increases in retirement benefits from 1979 to 1981. Instead of increases adjusted

Table I Current Contribution Rates

	% Contribution Rate			Maximum Annual Earnings Subject to Contributions
	Employee	Employer	Total	
Old-Age, Invalidity, and Survivor Pensions	9.0%	9.0%	18.0%	D.M. 56,400 (U.S. $24,835)
Sickness, Maternity, Hospital, and Medical Benefits	6.0[1]	6.0[1]	12.0[1]	D.M. 42,300 (U.S. $18,626)
Unemployment	2.0	2.0	4.0	D.M. 56,400 (U.S. $24,835)
Occupational Injury and Disease	—	1.8[2]	1.8[2]	D.M. 72,000** (U.S. $31,704)
Totals (subject to earnings limits)	17.0%	18.8%	35.8%	

[1]Average rates are indicated. For health insurance, the contribution rates vary from 5 to 6 percent, according to the fund.
[2]The contribution rate and ceiling for occupational injury and disease vary by industry. The rate ranges from .7 to 2 percent of covered earnings. The contribution ceiling is typically DM 60,000, but some are as high as DM 84,000 per year.

SAN BERNARDINO COUNTY CHOSE GRUBB & ELLIS TO MANAGE THEIR $20 MILLION REAL ESTATE INVESTMENT.

WHY?

Excerpts from a conversation with John Leach, Chairman of the Investment Committee, Board of Retirement, San Bernardino County Employee's Retirement Association, regarding the management of the Board's $20 million real estate investment.

QUESTION: *How did you choose between banks, insurance companies, and real estate companies to manage your investment?*

LEACH: We interviewed some impressive contenders in financial institutions, but chose a full service real estate company.

to wage growth, pensioners were given a 4.5 percent increase in 1979 and 4 percent increases in each of the next two years. In that period, consumer prices rose by 5.5 percent.

As additional relief to the system, pension payments by wage earners were increased, and pensioners were told they would have to share the cost of compulsory medical insurance beginning in 1982.

West Germany's long-term concern is a diminishing birth rate coupled with a widening life expectancy, which means that a shrinking work force will be supporting a larger number of retired people.

Most old-age pensions currently granted for those with above-average earnings fall within the range of 40 to 45 percent of final gross earnings up to the contribution limit.

Government officials have indicated, however, that the solvency of the social security system is assured until 1985.

Summary

A number of proposals have been put forward, among them a proposal to collect taxes on pensions (civil servants' pensions are currently taxed) and to increase the employers' social security taxes by using a graduated system based on company sales. In the meantime, the potential for social unrest is serious, crucial questions remain, and many people inside as well as outside Germany are concerned about the future of the system that began almost 100 years ago. □

Grubb & Ellis, because we wanted a team with experience in the right locations and its own computer data collection network for finding the best properties. We were especially interested in the Sun Belt and West Coast; Grubb & Ellis has offices in these locations, plus the best data bank in those regions.

Also, we were interested in other services such as property management, that Grubb & Ellis could provide at highly competitive prices.

QUESTION: *Were you concerned that they would favor their own divisions, for example, commercial brokerage, contrary to your best interest?*

LEACH: Yes, we thought about that: it comes down to believing in the integrity of the team and in their determination to build a performance track record with you. Also, we felt that a publicly held independent company like Grubb & Ellis had suitably long term goals.

QUESTION: *Did the size of your investment enter into your decision?*

LEACH: We are investing in excess of $20 million over two years in real estate. The continual re-evaluation and maximization of a real estate portfolio of that size requires not only experienced professionalism but also considerable computerized data management capability: we chose a team that was up to the task.

QUESTION: *What about fees?*

LEACH: Remuneration as a percentage of overall investment did not vary much between companies; however the Grubb & Ellis fee system rewards performance because it is geared to asset appreciation. We felt that was important.

For further information on Grubb & Ellis services for pension fund managers, contact:

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Grubb & Ellis Company
1333 Broadway, Oakland, CA 94612
Phone: (415) 839-9600

Grubb&Ellis

Real Estate Highlight

Investment possibilities in mini-warehouses

As plan sponsors decide to invest in real estate equity, they are looking for "good products" that can give them what they want and what their plans require.

Apparently, what plan sponsors want from real estate equity investments is a continuing cash return. Most say that the absolute minimum return desired is 10 percent.

A relatively recent real estate product, the mini-warehouse storage concept, provides an investor with immediate and continuous cash distributions, plus long-term appreciation.

Mini-warehouses actually came into the real estate picture in the early 1970's, but began to boom when inflation hit double digit rates. Just like office buildings and shopping centers, mini-warehouse facilities appreciated at rates exceeding the inflation rate. Unlike those counterparts, however, cash returns did not get caught in an inflationary squeeze. Office building and shopping center managers found it difficult to increase rent sufficiently to make up for inflation. Mini-warehouse owners found no problem in raising rents at a pace at least equal to the rise in the CPI.

Most mini-warehouse products are designed and packaged to return to the investor his total investment in about seven years. At that time, the portfolio manager has the option of liquidating the investment to take advantage of inflation-boosted appreciation or continuing to receive the cash distributions annually, which probably have increased significantly because of inflation.

Mini-warehouses also have another advantage of particular interest to plan sponsors — they are cash investments. There is no mortgage to service or to erode cash flow.

Comparative Annual Rate of Return

Market Indexes	1-Year (1979)	3-Year Average (1977-79)	5-Year Average (1975-79)
Real Estate Fund Index	21.6%	15.0%	12.2%
S&P 500 Stock Index	17.4	5.0	14.5
Salomon Bros. Long-Term Corporate Bond Index	-4.9	-1.1	5.6
90-Day Treasury Bills	9.8	7.4	6.6
Consumer Price Index (CPI)	13.3	9.7	8.2
Mini-Warehouse Index	23.0	20.5	16.8

The accompanying chart and graph show that mini-warehouse products have outperformed not only traditional equity, bond, and cash equivalent portfolios but also the Exchange Bank of Chicago's Real Estate Fund Index — which is made up of the real estate commingled funds of the major insurance companies. Annualized returns from an index of selected mini-warehouse projects averaged 16.8 percent for the five-year period from 1975 through 1979.

Meeting a need

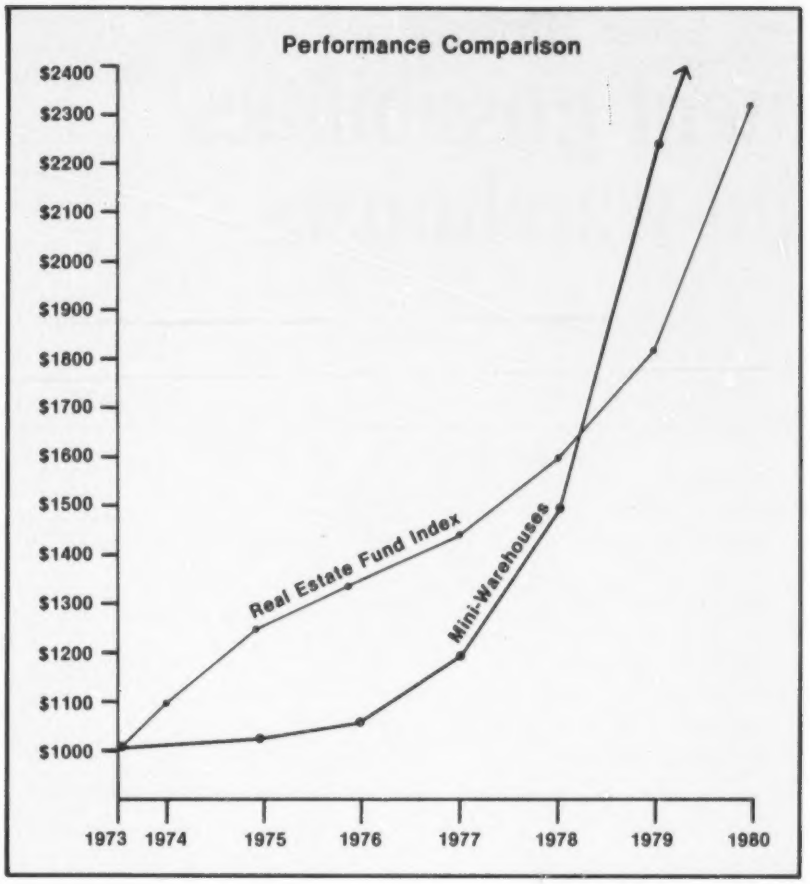
There is a reason for this kind of performance, and it is a very simplistic reason. The mini-warehouse concept is meeting an important need in the economy and in society right now. Even in the best economic scenario, that need will increase significantly in coming years.

The mini-storage facility meets the growing demand of individuals and businesses for temporary and excess storage. Its market as a service industry is the individual who needs storage space for his belongings — furniture, hobby equipment, recreational vehicles, etc. — and the business that needs additional space to store records, inventories, or equipment.

Public acceptance of this concept has been overwhelming, as shown by the high occupancy rate enjoyed by the industry as a whole. More important as an investment consideration, however, is the especially bright future outlook for the industry. Many commentators note this vehicle's similarity to bowling alleys, motels, and fast food chains, whose successes were based on the ability to capitalize on changing trends in America. The mini-storage market is a direct response to current needs reflected in today's lifestyles.

Individuals have more free time and spendable income. They own recreational vehicles, hobby and sports equipment, and other property which, while not in use, must be stored. On the other hand, inflation has pushed up building costs, creating smaller apartment units and houses with increasingly limited storage space. Business,

by **ROBERT H. McCLINTOCK**
President
The Concept Companies
Atlanta, Ga.



too, finds office and conventional warehouse space too expensive for static storage, yet finds it profitable to increase merchandise and supply inventory.

The government has also contributed to the expanding market via increased recordkeeping requirements, which add to businesses' already large static storage requirements. Trends in local government favor regulation against at-home and on-street storage of recreational vehicles. Thus, basic trends in the American lifestyle and economic environment have laid the groundwork for an ever-increasing demand for mini-storage facilities.

The mini-storage industry has developed and experienced its initial growth in certain areas of Texas, Arizona, and California. For the most part, the industry is still operating in virgin territory. Given its present stage of development and the outlook for its market, mini-storage facilities offer attractive growth potential.

Physical description

The buildings in a mini-storage complex typically are 30 to 40 feet wide and 100 to 400 feet long and are divided into partitioned cubicles. Each side of the building looks like a long row of contiguous garages or lockers, each with its own steel door. The areas between the buildings are paved with asphalt, and the entire complex is surrounded by a fence. Safety is often provided by limited access gates, close-circuit television, and other security devices. A portion of the building near the entrance serves as the office and contains the resident manager's apartment. Most facilities allow daylight access and have been designed to allow easy access to large trucks.

Economic feasibility

Generally, such facilities are located toward the outskirts of cities and directly in the paths of growth. They are adjacent to heavily traveled thoroughfares, which provide ready access in an area already favored by commercial development. Land costs, then, are comparatively moderate while still offering growth potential.

The facilities themselves are simple in design and do not require expensive architectural plans, labor, or building material. Expensive features, such as heating and air conditioning, carpets, extensive plumbing, and windows, are not required except for the manager's apartment.

Operating costs are low in comparison to other real estate ventures. Simplicity of construction leads to minimal maintenance and repair. The resident manager concept, generally used, provides an inexpensive alternative to higher clerical, sales, and janitorial costs. Management costs are extremely low, and management concerns virtually nonexistent.

Rental rates, although generally higher than conventional warehouses, offer the cost-conscious consumer an inexpensive alternative to higher office and warehouse rates because of smaller square foot usage. Typical rates are $25 per month for a 5½′ x 10′ space in Florida ($.45 per sq. ft.) and $46 per month for a 10′ x 10′ space in California ($.46 per sq. ft.). Because rents are relatively low, they can be raised to keep up with the inflation rate with very little problem.

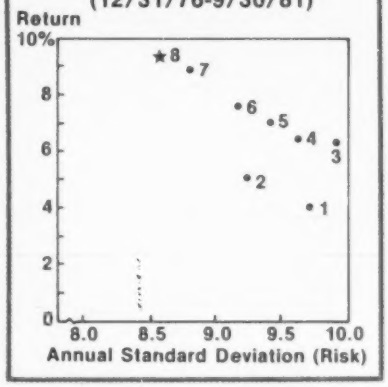
Thus, the combination of moderate land costs (comparatively), low construction and operating costs, and high rental rates per square foot usage offers the investor potentially high cash flow. As the initial costs of a project are liquidated, the return from the investment grows year by year.

To see how the mini-warehouse concept can work for pension funds, let's look at a typical package. This is a $4 million package with five locations and a total of 2,848 spaces, providing over 250,000 square feet of rentable space.

Avg. Cost per Rentable Sq. Ft.	
Land	$ 4.98
Development	11.04
Total	16.02
Total cost	4,014,000.00
Avg. scheduled annual rent per rentable sq. ft.	4.41
Gross receipts	1,016,918.00
Costs of operation	211,469.00
Management fees	61,009.00
Net cash from operations	744,440.00
Net cash from operations as a percentage of total costs	19%

(Continued on page 70)

Figure 14
The Asset Mix Story
(12/31/76-9/30/81)



ing stocks, bonds, and cash equivalents (plot point 2), the portfolio moved in a favorable direction. The risk went down; the return went up. With stocks, bonds, cash, and non-U.S. bonds (plot point 3), risk went up again, but really not a lot more than at point 1, and the return jumped substantially.

International equities were added at plot point 4. The risk went down a little bit; the return stayed high. Adding some smaller stocks at plot point 5, the return gets up higher; risk decreases. Real estate is put in the portfolio at plot point 6. Returns get higher. Continuing to diversify and mix the portfolio, venture capital is added at plot point 7. All these pieces put together, given what the preferences were for the types of risk and return, is represented by plot point 8.

This asset mix story simply shows that in real life you can change the pattern of returns and risks by using the different asset mixes intelligently. It's not easy to do, but that's not the point. The point was to raise the question — does it help your performance to think intelligently through the asset mix questions, and should you do that on a broad scale? It seems that the answer is clearly yes.

There are three valuable results of intelligent asset mix decisions. First, satisfaction. The investment management team will pull together better and achieve better results if the focus is on the asset mix of the overall portfolio. Then, how an individual manager contributes to that overall purpose can be examined. Second, performance maximization. The issue here relates to the whole portfolio. The performance of that totality is distinct from the individual pieces that make it up. Third, systematic evaluations. If you look at the portfolio and the asset mix in one systematic framework, it makes the job of evaluating the individual managers and the overall portfolio much easier, much more comprehensible, and, it is hoped, much more successful. □

Real Estate Highlight: Investment possibilities

(Continued from page 44)

If the return from this cash investment is viewed in the same manner as the return from a cash investment in stock, it certainly exceeds the 10 percent minimum that most plan sponsors say they want from their real estate investments.

Some pension funds, including Westinghouse and Atlantic Richfield, have already invested in mini-warehouses. This investment vehicle is also popular with smaller funds as it provides them with a means of moving into real estate with minimum risk and maximum return potential.

Of course, not all mini-warehouse projects would be appropriate for pension fund investment. Factors to consider include:

- Geographical location. For instance, the Southwest is fairly well saturated.
- Structure of the developer or management organization as well as its track record. Management fees are important to the overall return. As indicated, operating costs are relatively low, so management fees, in terms of the total investment, should be very low.
- Design of the storage facility. Is the complex designed for the market it wants to attract? A mini-storage complex with storage units of 100 square feet each may be ideal for a residential area, but it probably would not attract business or corporate customers.

As with any investment vehicle, pension fund managers should evaluate mini-warehouse projects carefully. Since this cash investment more nearly resembles stock investments than it does the traditional real estate investment, the investment manager may want to use the same criteria for evaluation of mini-warehouse investment as he uses in determining what stocks to buy. □

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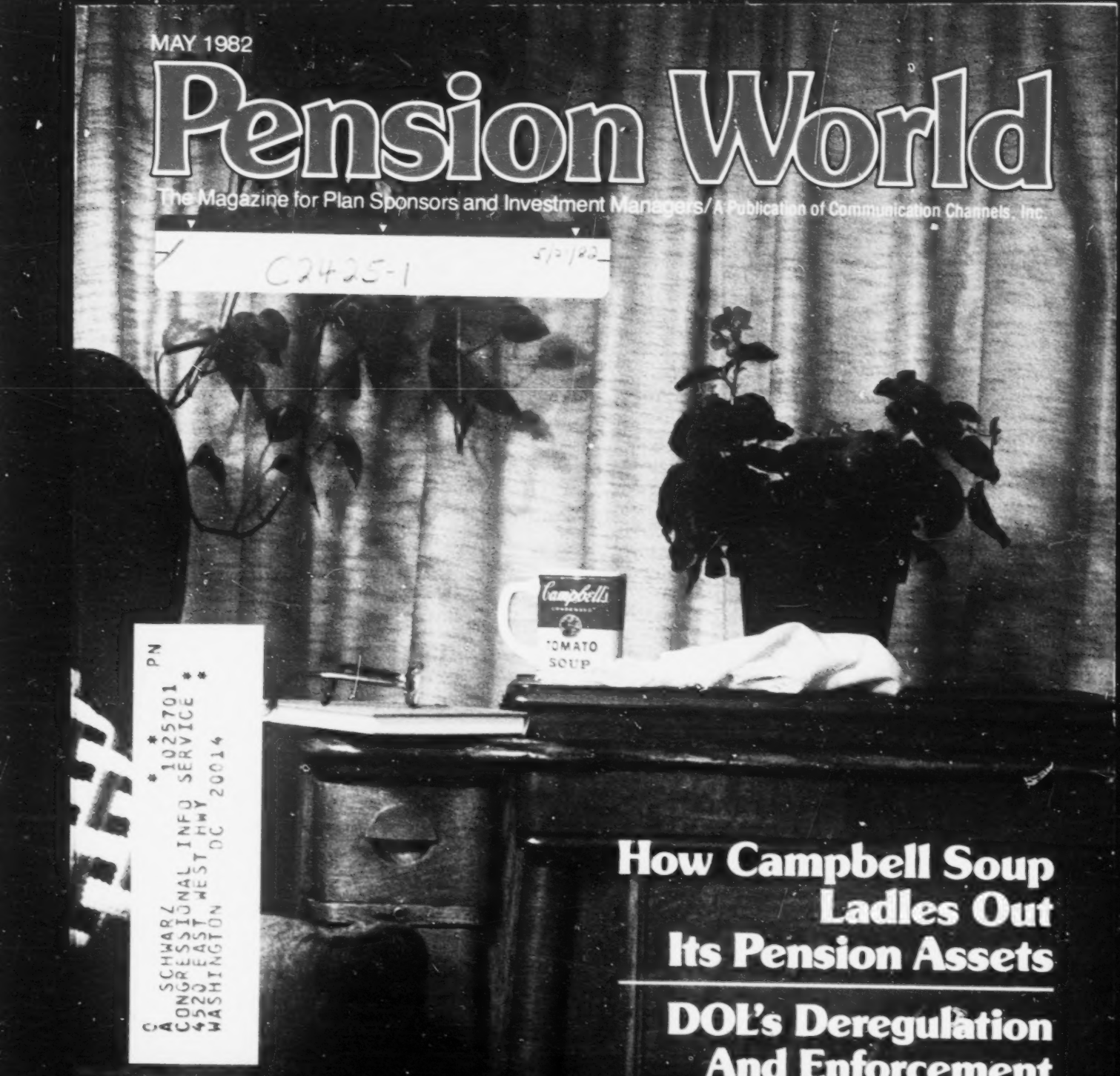

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How Campbell Soup Ladles Out Its Pension Assets

DOL's Deregulation And Enforcement

Managing Risk- A Period of Transition

11th Annual Common Stock Analysis of Bank Pooled Pension Funds

Pension World

May 1982
Volume 18 Number 5

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Real Estate Highlight: Should pension funds open the apartment door? by Gerald L. Hirsch **23**
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Administration: Managing risk — a period of transition by Richard T. Delaney and Mary E. Hennessy **28**
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11th Annual Survey of Bank Pooled Pension Fund Accounts **47**
Pension World reports on the investment trends of 125 pooled pension funds during 1981 — what issues the banks hold, what's dropped in and out, the favorite 50 — plus a breakdown of assets and a summary of portfolio characteristics.

Pension World Basics: Oft-asked questions about cash or deferred plans by Keith Swenson **62**
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Cover: **Though the red and white Campbell Soup logo is most familiar in a home setting, the firm's products are positioned strategically throughout the world. The Campbell pension fund has been managed with equal vision, as detailed on page 12.**

Cover photo by Diana H. P. Roberts

VBPA

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11th Annual Survey of Bank Pooled Pension Fund Accounts

A significant shift occurred in 1982 in the holdings of bank pooled pension fund accounts, according to the data reported in *Pension World's* 1982 survey of these accounts.

As of December 31, 1981, cash and equivalents accounted for 49.9 percent of the holdings of the *PW* universe of 125 pooled funds held by 95 banks. This compares with 38.9 percent in cash in 1980 and 31.5 percent in 1979.

Though 63.5 percent of the funds reporting last year noted that they planned to increase their commitment to equities in 1981, this category, instead, showed a pronounced decline. Common stocks represent only 21.26 percent of this year's portfolio. This figure caps a three-year decline, from 49 percent in 1979, to 39.7 percent in 1980, and 34.08 percent last year. Of the 90 banks that reported how much they plan to allocate to their equity portfolios in 1982, 60 percent plan to increase their commitment to equities, while 29.5 percent plan to hold even, and 6.3 percent plan to decrease holdings.

During 1981, the funds reporting invested the remainder of their assets in corporate bonds (21.19 percent — nearly a 10 percent increase over 1980's figure), real estate (3.4 percent), U.S. government securities (1.62 percent), mortgages (.9 percent), international securities (.86 percent), and a combination of smaller holdings totaling just under 1 percent. Assets in the 125 pooled pension fund accounts totaled $22.4 billion, as of December 31.

The range of stock holdings continues to expand, despite the dramatic decrease in the percentage of assets committed to equities. In 1979, 549 different stock issues were listed in the *Pension World* survey; in 1980, 883 stocks were listed; in 1981, 1,047 firms appeared; this year, 1,351 different stocks are held.

In the 1978 and 1979 surveys, the drop-outs outnumbered the drop-ins. The 1980 and 1981 surveys showed a reversal of this trend. In 1982, the drop-ins and drop-outs are nearly equal — 169 and 164, respectively — although the numbers have risen in both categories, from 125 and 93 last year. Both lists span a wide range of industries, and the drop-outs reflect, in part, the number of corporate mergers that occurred in 1981.

Sixteen stocks are newcomers to this year's Favorite Fifty list. IBM Corp. retains its stranglehold on the top spot, and the top 10 remain intact from last year, with a few minor shifts in position. Pharmaceutical and high-technology firms made the greatest advances, by far, with nine of the newcomers falling into one of these categories. Financial institutions also made a respectable showing this year, and most of the major oil and oil-service stocks remain on the top 50 list.

According to statistics published by Computer Directions Advisors, Inc. (CDA), Silver Spring, Md., both bank pooled common stock funds and the S&P 500 plunged in performance during 1981, with bank pooled common stock funds losing only a little less than the S&P. For the year ending December 31, 1981, CDA reports the S&P 500 was at −5.0 percent and bank pooled common stock funds at −4.2 percent. This compares with December 31, 1980, levels of +32.5 percent and +29.6 percent, respectively.

Questionnaires for the *Pension World* survey of bank pooled pension fund accounts were mailed to 600 U.S. banks and trust companies during January, 1982. A total of 106 responses was received — including 60 of the banks in the 1981 universe — for a response rate of 17.7 percent. Only those institutions that provided complete data were included in the universe of 95 banks.

What stocks they hold

Stock	% of Funds Holding	Number of Shares Held
Abbott Laboratories	12.0	275,800
Accivalmex	.8	750,000
ACF Industries	3.2	109,323
Acme-Cleveland Corp.	2.4	51,000
ADAC Laboratories	.8	10,500
Adage	.8	8,000
Adobe Oil & Gas Corp.	2.4	59,900
Advanced Micro Devices	.8	15,000
Aetna Life & Casualty Co.	10.4	207,462
AG Int'l Software	1.1	105,500
Ahmanson (H. F.) & Co.	.8	22,800
Air Florida	1.6	201,600
Air Products & Chemicals	4.8	45,700
Air Wisconsin	.8	16,495
Airborne Freight Corp.	1.6	46,000
Akzona	1.6	2,400
Ala Moana Hawaii Properties Ltd.	.8	182,700
Alaska Airlines	.8	34,650
Alaska Interstate Co.	.8	2,800
Alaska Pacific Bancorp.	.8	14,500
Albany Int'l Corp.	1.6	71,600
Albertson's	2.4	15,000
Alcan Aluminum Ltd.	2.4	17,100
Alco Standard Corp.	.8	15,000
Alexander & Alexander	3.2	59,000
Alexander & Baldwin	1.6	73,100
Allegheny Corp.	3.2	39,400
Allegheny Ludlum Industries	.8	92,500
Allegheny Power System	1.6	136,000
Allied Bancshares	1.6	58,752
Allied Chemical Corp.	2.4	20,100
Allied Corp.	3.2	12,049
Allied Stores Corp.	5.6	39,500
Allis-Chalmers Corp.	2.4	4,700
Alpha Microsystems	.8	2,000
Alpha Portland Industries	.8	75,000
Aluminum Co. of America	9.6	141,200
Amarex	1.6	65,000
AMAX	2.4	31,311
Amdahl Corp.	2.4	60,900
Amerada Hess Corp.	7.2	166,588
American Airlines	4.0	39,400
American Brands	6.4	94,700
American Broadcasting Cos.	7.2	95,400
American Building Maintenance Ind.	.8	4,000
American Cable TV Industries	1.6	2,050
American Can Co.	1.6	3,800
American Cyanamid Co.	4.0	34,400
American District Telegraph Co.	1.6	3,100
American Electric Power Co.	4.0	43,138
American Express Co.	20.8	361,661
American Fluoride Corp.	.8	95,000
American General Insurance Co.	3.2	87,600
American Greetings Corp.	2.4	45,000
American Home Products Corp.	16.0	317,483
American Hospital Supply Corp.	8.0	69,569
American Int'l Group	7.2	104,900
American Medical Int'l	9.6	186,700
American Monitor Corp.	.8	8,247
American National Insurance Co.	.8	27,500
American Natural Resources Co.	4.8	27,500
American Quasar Petroleum Co.	.8	116,000
American Standard	5.6	103,000
American Stores Co.	1.6	2,200
American Telephone & Telegraph Co.	43.2	800,495
Ames Department Stores	.8	5,000
Ametek	1.6	23,100
AMF	2.4	98,100
AMP	5.6	60,211
Amplica	.8	100,000
Amstar Corp.	1.6	1,900
Amsted Industries	1.6	2,100
Analog Devices	.8	70,500
Analogic Corp.	.8	8,000
Anderson Greenwood & Co.	.8	85,000
Andrew Corp.	2.4	44,200
Angelica Corp.	.8	28,000
Anglo Energy Co. Ltd.	1.6	93,500
Anheuser-Busch Cos.	11.2	261,600
Apache Corp.	1.6	57,400
Apple Computer	2.4	42,071
ARA Services	4.0	167,300
Archer Daniels Midland Co.	7.2	46,887
Arizona Bank	.8	45,675
Arizona Public Service Co.	3.2	20,300
Arkansas Louisiana Gas Co.	3.2	23,600
Armco	4.8	82,550
Armstrong World Industries	4.8	97,496
Arrow Electronics	1.6	38,340
ASA Ltd.	1.6	1,900
ASARCO	4.0	16,500
Ask Computer Systems	.8	14,000
Associated Dry Goods Corp.	3.2	45,600
Atlantic City Electric Co.	.8	5,850
Atlantic Oil Co.	.8	119,000
Atlantic Research Corp.	.8	8,500
Atlantic Richfield Co.	46.4	692,542
Atlas Van Lines	.8	10,000
Augat	4.8	279,900
Aurrera	.8	1,400,000
Autolite Auto Parts	.8	3,000
Automatic Data Processing	5.6	93,200
Automatic Switch Co.	.8	58,000
Autotrol Corp.	.8	8,000
Avantek	2.4	212,000
Avco Corp.	3.2	304,900
Avery Int'l Corp.	.8	12,000
Avnet	2.4	90,620
Avoca	.8	785
Avon Products	8.0	55,300
Baker Int'l Corp.	8.8	186,712
Baldor Electric Co.	.8	82,500
Bally Mfg. Corp.	2.4	110,700
Baltimore Gas & Electric Co.	2.4	10,964
Bancal Tri-State Corp.	.8	102,100
Banctec	.8	63,500
Bandag	.8	18,000
Bangor Punta Corp.	.8	300
Bank of the South	.8	10,250
Bankamerica Corp.	8.0	122,854
Bankers Trust New York Corp.	1.6	4,966
Bankoklahoma Corp.	.8	2,200
Bard (C. R.)	2.4	14,900
Barnes Group	.8	6,000
Barnett Banks of Florida	1.6	41,200
Basic Earth Science Systems	.8	160,000
Bausch & Lomb	3.2	46,600
Baxter Travenol Laboratories	12.0	312,000
Bay Financial Corp.	1.6	178,900
Baybanks	1.6	13,700
BBDO Int'l	1.6	13,200
Beard Oil Co.	.8	23,550
Beatrice Foods Co.	6.4	173,985
Beckman Instruments	5.6	50,000
Becton, Dickinson & Co.	4.8	72,900
Beehive Int'l	1.6	28,250
Beker Industries Corp.	.8	1,900
Belco Petroleum	3.2	68,320
Bell & Howell Co.	2.4	48,273
Belo (A. H.) Corp.	1.6	48,800
Bemis Co.	1.6	700
Bendix Corp.	7.2	34,095
Beneficial Corp.	1.6	4,400
Bergen Brunswig Corp.	2.4	66,996
Best Products	.8	5,000
Bethlehem Steel Corp.	2.4	78,700
Betz Laboratories	6.4	67,400
Big Three Industries	7.2	183,150
Binney & Smith	.8	6,000
Biochem Int'l	.8	100,000
Biomedical Reference Labs	1.6	15,000
Black & Decker Mfg. Co.	3.2	31,200
Block (H. & R.)	1.6	26,500
Blue Bell	3.2	19,600
Boeing Co.	11.2	126,625
Boise Cascade Corp.	4.8	112,700
Bolt Technology Corp.	1.6	8,000
Borden	3.2	33,900
Borg-Warner Corp.	3.2	30,000
Boston Digital Corp.	.8	112,500
Boston Edison Co.	.8	5,000
Bow Valley Industries Ltd.	.8	57,500
Bracken Oil	.8	25,000
Brenco	.8	127,000
Briggs & Stratton Corp.	1.6	3,100
Bristol-Myers Co.	12.8	156,600
Brock Hotel Corp.	6.4	90,000
Brooklyn Union Gas Co.	1.6	1,600
Brooks Harvey Realty	.8	20,000
Brown (Tom)	.8	19,100
Brown Forman Distillers Corp.	4.8	95,900
Brown Group	2.4	3,400
Browning-Ferris Industries	6.4	157,200
Brunswick Corp.	1.6	4,500
Brush Wellman	.8	5,000
Bucyrus-Erie Co.	4.0	23,800
Burlington Industries	4.0	102,000
Burlington Northern	8.8	96,290
Burndy Corp.	1.6	140,000
Burns (R. L.) Co.	.8	4,000
Burns Int'l Security Svcs.	.8	12,000
Burnup & Sims	.8	6,000
Burroughs Corp.	11.2	110,200
Butler Int'l	.8	34,000
C3	2.4	348,746
Caesar's World	.8	1,500
Calvin Exploration	.8	2,000
Cameron Iron Works	3.2	398,800
Cambell Red Lake Mines Ltd.	1.6	9,500
Campbell Soup Co.	3.2	32,400
Campbell Taggart	1.6	25,650
Canadian Marconi	.8	8,500
Canadian Pacific Enterprises Ltd.	1.6	26,000
Capital Cities Communications	4.0	37,600
Capital Holding Corp.	6.4	54,400
Carlisle Corp.	.8	3,300
Carnation Co.	1.6	7,400
Carolina Freight Carriers Corp.	.8	7,300
Carolina Power & Light Co.	.8	3,000
Carpenter Technology Corp.	1.6	26,800
Carter (William) Co.	1.6	3,200
Carter Hawley Hale Stores	2.4	26,083
Caterpillar Tractor Co.	19.2	174,396
CBI Industries	4.0	31,100
CBS	8.0	80,600
Celanese Corp.	2.4	7,200
Centex Corp.	4.0	315,800
Central & Southwest Corp.	3.2	71,600
Central Illinois Public Svc. Co.	.8	8,000
Central Louisiana Electric Co.	2.4	70,645
Central Louisiana Energy Corp.	3.2	71,700

Stock	% of Funds Holding	Number of Shares Held
Central Main Power Co.	.8	8,000
Central Soya Co.	.8	3,000
Central Telephone & Utilities Corp.	4.0	79,900
Certainteed Corp.	.8	2,300
Cessna Aircraft Co.	2.4	32,000
Cetsus	.2	3,000
Champion Int'l Corp.	2.4	63,800
Champion Products	.8	14,000
Champion Spark Plug Co.	1.6	7,600
Chaparral Resources	.8	50,000
Charles River Breeding Labs	1.6	38,000
Charming Shoppes	.8	32,000
Chart House	2.4	50,300
Chase Manhattan Corp.	7.2	156,200
Chemical New York Corp.	4.0	75,925
Chemical Nuclear System	3.2	134,412
Chem-Lawn Corp.	2.4	118,421
Chesebrough-Pond's	8.0	177,100
Chicago & Northwestern Transportation Co.	.8	30,000
Chicago Pneumatic Tool Co.	1.6	1,200
Chi-Chi's	.8	50,000
Chieftain Development Ltd.	1.6	126,500
Christiana Cos.	.8	100,700
Chromalloy American Corp.	.8	80,000
Chubb Corp.	1.6	2,400
Church's Fried Chicken	3.2	27,700
Chyron Corp.	.8	22,000
Cincinnati Milacron	4.0	78,600
Cipher	.8	85,000
Circle K Corp.	.8	1,000
Citicorp.	13.6	234,876
Cities Service Co.	4.0	77,400
Citizens Fidelity Corp.	.8	143,000
Citizens Southern Georgia Corp.	1.6	27,000
City Investing Co.	.8	19,200
City National Corp.	.8	22,500
Claiborne (Liz)	1.6	6,200
Clark Equipment Co.	4.8	167,200
Cleveland-Cliffs Iron Co.	.8	9,900
Clorox Co.	1.6	4,500
Cluett Peabody & Co.	1.6	2,000
CMI Corp.	.8	1,000
CNA Financial Corp.	1.6	9,500
Coastal Corp.	2.4	117,700
Cobe Laboratories	.8	60,000
Coca-Cola Co.	12.0	215,518
Coherent	.8	6,000
Cole National Corp.	.8	10,000
Colgate-Palmolive Co.	4.8	41,600
Collagen Corp.	.8	50,000
Collins & Aikman Corp.	.8	20,000
Colonial Life & Accident Insurance Co.	1.6	100,500
Color Tile	2.4	171,750
Columbia Gas System	2.4	15,800
Columbia Pictures Industries	2.4	11,600
Com Systems	.8	3,000
Combined Int'l Corp.	3.2	22,700
Combustion Engineering	4.8	52,300
Comcast Corp.	.8	65,250
Comdata Network	.8	700
Comdisco	.8	1,400
Commerce Clearing House	.8	3,700
Commerce Southwest	.8	22,000
Commodore Int'l Ltd.	.8	3,600
Commonwealth Edison Co.	6.4	172,398
Communications Corp. of America	1.6	3,500
Communications Industries	3.2	253,500
Communications Satellite Corp.	.8	10,000
Communications Systems	.8	5,000
Community Psychiatric Centers	1.6	9,700
Compact Video Systems	.8	17,000
Comprehensive Care Corp.	1.6	24,500
Compugraphic Corp.	.8	2,000
Computer & Communications Technology Corp.	.8	7,000
Computer Consoles	1.6	155,000
Computer Log Gearhart	.8	93,000
Computer Products	.8	140,000
Computer Sciences Corp.	1.6	2,600
Computervision Corp.	8.8	43,285
Computone Systems	.8	85,000
ConAgra	.8	40,000
Cone Mills Corp.	1.6	1,200
Connecticut General Insurance Corp.	5.6	155,100
Consolidated Edison Co. of New York	3.2	64,300
Consolidated Foods Corp.	4.0	131,400
Consolidated Freightways	8.0	146,100
Consolidated Natural Gas Co.	2.4	5,900
Consolidated Papers	.8	10,500
Continental Group	9.6	135,800
Continental Illinois Corp.	4.8	61,300
Continental Telephone Corp.	4.0	74,845
Control Data Corp.	8.8	335,700
Conwood Corp.	.8	800
Cooper Industries	8.8	88,035
Cooper Laboratories	.8	8,000
Cooper Tire & Rubber Co.	.8	11,500
Coors (Adolph) Co.	1.6	6,900
Core Laboratories	1.6	40,000
Corning Glass Works	4.0	82,200
Corvus Systems	.8	15,000
Cousins Properties	.8	159,125
Cox Broadcasting Corp.	2.4	3,900
CP National Corp.	.8	3,000
CPC International	6.4	105,300
CPT Corp.	.8	389,250
Cracker Barrel Old City Stores	.8	1,000
Crane Co.	3.2	216,510
Crawford Energy Corp.	.8	52,400
Cray Research	2.4	111,500
Cross & Trecker Corp.	2.4	218,000
Cross (A. T.) Co.	3.2	26,500
Crown Cork & Seal Co.	1.6	2,800
Crown Zellerbach Corp.	3.2	73,000
Crum & Forster	4.0	206,250
Crump (E. H.) Cos.	.8	1,500
Crutcher Resources Corp.	3.2	271,300
Crystal Oil Co.	2.4	83,350
CSX Corp.	8.8	120,930
CTS Corp.	1.6	40,600
Cubic Corp.	.8	4,000
Cullinane Database Systems	2.4	109,200
Cummins Engine Co.	3.2	94,700
Cut & Curl	.8	8,000
Dale Electronics	.8	5,000
Dana Corp.	7.2	175,100
Daniel Industries	.8	1,500
Dart and Kraft	12.8	233,438
Data General Corp.	3.2	17,900
Data IO Corp.	.8	4,353
Datapoint Corp.	9.6	111,900
Dayton Hudson Corp.	6.4	58,800
Dayton Power & Light Co.	.8	7,000
De Luxe Check Printers	2.4	75,000
Deca Energy Corp.	.8	168,550
Deere & Co.	13.6	185,743
DeKalb AG Research	4.0	176,800
Delta Air Lines	7.2	117,400
Delta Drilling	1.6	70,500
Denelcor	1.6	38,500
Denny's	5.6	401,600
Deposit Guaranty Corp.	.8	52,600
Detector Electronics Corp.	.8	5,000
Detroit Bank Corp.	.8	5,800
Detroit Edison Co.	2.4	23,119
Di Giorgio Corp.	.8	8,600
Diamond Int'l Corp.	1.6	2,720
Diamond Shamrock Corp.	2.4	30,680
Diasonics	.8	300,000
Diebold	4.0	36,400
Digital Equipment Corp.	25.6	266,568
Dillingham Corp.	.8	182,700
Dillon Cos.	.6	27,000
Disney (Walt) Productions & Asso. Cos.	8.8	76,932
Dr. Pepper Co.	1.6	4,000
Docutel	.8	14,800
Dollar General Corp.	.8	220
Dome Mines Ltd.	2.4	14,900
Dome Petroleum Ltd.	2.4	312,000
Dominion Bankshares Corp.	.8	42,000
Donaldson Co.	.8	10,500
Donnelley (R. R.) & Sons Co.	3.2	16,900
Dorado Micro Systems	1.6	7,500
Dorchester Gas Corp.	.8	5,900
Dover Corp.	6.4	215,000
Dow Chemical Co.	15.2	209,004
Dow Jones & Co.	2.4	12,200
Doyle Dane Bernbach	.8	18,000
Dranetz Engineering Labs	.8	62,500
Dravo Corp.	1.6	134,150
Dresser Industries	14.4	233,228
Drillers Service	3.2	269,300
Duke Power Co.	4.8	88,400
Dun & Bradstreet Corp.	6.4	83,760
DuPont (E. I.) De Nemours & Co.	10.4	234,500
Duralith Corp.	.8	10,000
Duriron Co.	.8	12,027
Dynatech Corp.	.8	10,000
Dysan Corp.	2.4	30,700
E G & G	3.2	66,000
E-Systems	1.6	21,666
Eagle-Picher Industries	1.6	28,800
Eastern Gas & Fuel Assoc.	4.8	132,500
Eastern Utilities Assoc.	.8	8,000
Eastman Kodak Co.	36.8	450,980
Eastmet Corp.	1.6	170,000
Eaton Corp.	6.4	105,400
Echlin Mfg. Co.	3.2	9,200
Eckerd (Jack) Corp.	8.8	209,430
Economics Laboratory	2.4	223,600
Edison Bros. Stores	.8	59,800
El Paso Co.	4.0	154,400
Electro Biology	1.6	58,000
Electro Nucleonics	1.6	215,000
Electronic Data System	1.6	5,500
Electronic Modules Corp.	1.6	60,750
Electrospace Systems	.8	46,000
Emerson Electric Co.	11.2	74,383
Emery Air Freight Corp.	2.4	7,300
Emhart Corp.	.8	1,750
Energy Minerals	.8	66,900
Energy Reserves Group	2.4	17,000
Engelhard Minerals & Chemicals Corp.	4.0	6,960
Ennis Business Forms	.8	2,550
ENSERCH Corp.	6.4	156,050
Enterra Corp.	4.0	16,300
Entex	1.6	12,000
Equitable Gas Co.	1.6	12,300
Equitable Life Mortgage & Realty Investments	.8	27,000
Esmark	1.6	2,050
Essex Chemical Corp.	1.6	28,000
Esterline Corp.	.8	7,000
Ethyl Corp.	1.6	12,250
Evans & Sutherland Computer Corp.	1.6	14,850
Bob Evans Farms	3.2	87,716
Everest & Jennings Int'l	.8	40,000
Ex-Cell-O Corp.	4.0	43,750
Exxon Corp.	35.2	742,912
Faberge	.8	1,000

Stock	% of Funds Holding	Number of Shares Held
Fairchild Industries	.8	13,500
Falcon Bridge Nickel Mines Ltd.	.8	19,000
Family Dollar Stores	.8	30,000
Farmers Insurance Group	2.4	35,300
Federal Co.	.8	60,000
Federal Express Corp.	4.8	118,450
Federal-Mogul Corp.	.8	72,000
Federal Nat'l Mortgage Assn.	.8	25,000
Federal Paper Board Co.	1.6	1,500
Federated Department Stores	8.0	81,488
Felmont Oil Corp.	.8	70,000
Fieldcrest Mills	1.6	16,000
Figgie Int'l	.8	94,600
Financial Corp. of America	.8	243,220
Firestone Tire & Rubber Co.	3.2	236,100
First Alabama Bancshares	1.6	55,500
First America Corp. of Tennessee	.8	67,000
First Bank Systems	2.4	31,000
First Boston Corp.	1.6	11,000
First Chartor Financial Corp.	2.4	248,900
First Chicago Corp.	4.0	94,200
First City Bank Corp. of Texas	4.8	144,800
First Commercial Corp.	.8	55,000
First Financial Savings & Loan Assn.	.8	6,700
First Interstate Bancorp.	8.8	77,701
First Kentucky Nat'l Corp.	.8	4,000
First Mississippi Corp.	5.6	304,250
First Nat'l Boston Corp.	3.2	4,620
First New Mexico Bankshares	.8	50,250
First Oklahoma Bankshares	.8	41,500
First Union Corp.	1.6	118,400
First United Bancorp.	1.6	71,250
Flagship Banks	.8	13,400
Fleetwood Enterprises	2.4	6,400
Fleming Cos.	.8	3,500
Flight Transportation	.8	200
Flightsafety Int'l	1.6	47,600
Floating Point Systems	2.4	243,200
Florida Power & Light Co.	6.4	112,200
Florida Power Co.	2.4	26,200
Flow General	.8	7,000
Fluke (John) Mfg. Co.	1.6	31,350
Fluor Corp.	8.0	88,314
FMC Corp.	3.2	72,300
Ford Motor Co.	2.4	81,275
Foremost-Mckesson	3.2	197,348
Forest Oil Corp.	1.6	127,500
Fort Howard Paper Co.	4.8	68,623
Fortia (A. B.)	2.4	59,800
Foster (L. B.) Co.	1.6	166,000
Foster Wheeler Corp.	4.0	78,800
Four Phase Systems	.8	1,000
Fox-Stanley Photo Products	.8	40,000
Foxboro Co.	2.4	31,800
Franklin Electric Co.	3.2	90,100
Freedom Savings & Loan Assn.	.8	10,000
Freeport General Corp.	.8	13,000
Freeport-McMoran	7.2	265,318
Frontier Airlines	.8	46,027
Fruehauf Corp.	2.4	13,400
Fuji Photo Film Ltd.	1.6	4,300
Galveston Houston Co.	.8	5,000
Gamma Biologicals	.8	266
Gannett Co.	12.0	206,950
Gap Stores	.8	3,200
Garcias Scottsdale	.8	15,000
GATX Corp.	.8	242,300
GCA Corp.	3.2	8,100
Gelco Corp.	1.6	98,000
Genentech	2.4	3,600
General American Oil Co. of Texas	6.4	249,658
General Automotive Parts Corp.	.8	3,100
General Binding Corp.	.8	15,000
General Cinema Corp.	3.2	65,400
General Dynamics Corp.	5.6	89,300
General Electric Co.	43.2	477,628
General Foods Corp.	6.4	51,500
General Instruments Corp.	3.2	99,100
General Mills	6.4	95,900
General Motors Corp.	13.6	341,554
General Portland Cement Co.	1.6	1,400
General Research Corp.	3.2	30,700
General Signal Corp.	5.6	76,100
General Telephone & Electronics Corp.	12.8	158,916
GenRad	3.2	98,042
Genstar Corp.	1.6	163,200
Genuine Parts Co.	5.6	57,700
Geo Int'l Corp.	2.4	17,600
Georgia-Pacific Corp.	8.8	142,642
Geosource	.8	3,700
Gerber Products Co.	4.0	33,500
Gerber Scientific Instrument Co.	.8	9,000
Gerber Systems Technology	.8	1,200
Getty Oil Co.	8.0	84,300
Gibraltar Financial Corp. (Calif.)	.8	110,000
Gibraltar Savings Assn. (Houston)	.8	67,500
Giddings & Lewis	3.2	147,000
Gillette Co.	4.0	35,100
Gleason Works	.8	125,000
Global Marine	1.6	350,000
Golden Nugget	1.6	8,700
Golden West Financial Corp.	2.4	395,200
Goodrich (B. F.) Co.	1.6	4,000
Goodyear Tire & Rubber Co.	4.8	152,900
Gordon Jewelry Corp.	.8	6,500
Gould	4.0	28,000
Goulds Pumps	1.6	118,000
Grace (W. R.) & Co.	5.6	92,500
Grainger (W. W.)	4.8	68,823
Granger Assoc.	.8	12,100
Graphic Scanning Corp.	.8	25,200
Great Lakes Chemical Corp.	.8	7,000
Great Lakes Int'l	1.6	66,000
Great Northern Nekoosa Corp.	2.4	26,600
Great Western Financial Corp.	4.8	72,000
Great West Hospital	1.6	80,000
Greyhound Corp.	.8	8,000
Grumman Corp.	1.6	1,900
Guardian Industries Corp.	1.6	32,500
Gulf & Western Industries	3.2	121,850
Gulf Interstate Co.	1.6	145,000
Gulf Oil Corp.	8.0	105,600
Gulf Oil Canada Ltd.	2.4	166,600
Gulf States Utilities Co.	.8	10,000
Gulf United Corp.	1.6	94,200
Gulfstream Land & Development Corp.	1.6	178,700
Haemonetics Corp.	1.6	61,000
Halliburton Services	27.2	374,108
Hammermill Paper Co.	.8	500
Handleman Co.	1.6	22,800
Hapco	.8	209
Harcourt Brace Jovanovich	2.4	89,700
Harland (John H.) Co.	.8	6,185
Harper Group	1.6	143,500
Harris Corp.	8.8	217,400
Hart Schaffner & Marx	2.4	51,800
Harte-Hanks Communications	2.4	87,598
HBO & Co.	1.6	12,955
Heck's	.8	150,000
Heileman (G.) Brewing Co.	1.6	12,300
Heinz (H. J.) & Co.	4.8	70,150
Heizer Corp.	1.6	1,389,780
Heller (Walter E.) Int'l Corp.	2.4	48,400
Helmerich & Payne	2.4	36,500
Hercules	6.4	55,400
Hershey Foods Corp.	1.6	2,900
Heublein	4.0	37,200
Hewlett Packard Co.	19.2	277,900
Hexcel Corp.	.8	1,000
Hi-Shear Corp.	.8	2,000
Hilton Hotels Corp.	4.8	87,700
Hitachi Magnetics Corp.	2.4	5,100
Holding (H. H.)	.8	176,000
Holiday Inns	5.6	179,300
Homestake Mining Co.	1.6	3,300
HON Industries	1.6	4,000
Honeywell	10.4	102,185
Hook Drugs	.8	2,500
Horizon Corp.	1.6	52,395
Hospital Corp. of America	12.8	320,523
Hotel Investors Trust (CMB)	.8	90,800
Household Int'l Corp.	2.4	28,800
Houston Industries	5.6	112,250
Houston Natural Gas Corp.	8.8	118,000
Houston Oil Trust (WBI)	1.6	31,900
Hubbel (Harvey)	1.6	16,245
Hudson Bay Mining & Smelting Ltd.	1.6	2,000
Hughes Tool Co.	12.0	179,200
Humana	5.6	164,598
Hunt Mfg. Co.	.8	25,000
Husky Oil Ltd.	.8	149,300
Hybritech	1.6	25,000
Hyster Co.	2.4	6,300
IBM Corp.	62.4	1,121,352
IC Industries	1.6	3,200
Ideal Basic Industries	1.6	2,700
Illinois Power Co.	2.4	7,800
Imed Corp.	.8	5,000
Imperial Corp. of America	.8	135,000
Imperial Oil Ltd.	1.6	37,400
IMS Int'l Corp.	1.6	152,000
INA Corp.	8.0	140,350
Inco Ltd.	4.8	69,926
Indianapolis Power & Light Co.	.8	4,500
Industrial National Corp.	1.6	1,600
Inexco Oil Co.	5.6	351,300
Informatics	.8	4,000
Infotron Systems Corp.	1.6	68,700
Ingersoll-Rand Co.	6.4	121,400
Inland Steel Co.	4.8	30,800
Insilco Corp.	1.6	103,960
Instrumentation Laboratory	.8	55,000
Intel Corp.	12.8	165,300
Interco	5.6	43,500
Interface Mechanisms	.8	10,000
Interfirst Corp.	4.8	69,500
Intergraph Corp.	2.4	144,247
Interlake	1.6	1,314
Intermedics	.8	500
Int'l Clinical Labs	.8	1,050
Int'l Flavors & Fragrances	3.2	30,300
Int'l Minerals & Chemicals Corp.	5.6	35,300
Int'l Multifoods Corp.	.8	4,400
Int'l Paper Co.	10.4	166,678
Int'l Telephone & Telegraph Corp.	11.2	247,637
Internorth	2.4	11,800
Interpace Corp.	.8	25,000
Interpublic Group of Cos.	.8	3,500
Intertec Data Systems Corp.	.8	4,300
Iowa Electric Light & Power Co.	.8	2,300
Irving Bank Corp.	3.2	109,200
ISC Systems Corp.	1.6	215,284
ISSC Industrial Solid State Controls	.8	37,500
Itek Corp.	.8	25,000
IU Int'l Corp.	1.6	72,400
Jacobs Engineering Group	.8	900
James (Fred S.) & Co.	.8	70,000
James River Corp. of Virginia	1.6	56,250
Jefferson Nat'l Life Insurance Co.	.8	52,500
Jefferson-Pilot Corp.	4.0	47,800
Jerrico	1.6	95,000
Jewel Cos.	3.2	17,800

Stock	% of Funds Holding	Number of Shares Held
Johns-Manville Corp.	1.6	4,500
Johnson & Johnson	18.4	415,235
Johnson Controls	1.6	10,300
Joslyn Mfg. & Supply Co.	.8	2,000
Jostens	3.2	66,062
Joy Mfg. Co.	5.6	110,750
Justin Industries	.8	5,500
JWT Group	1.6	23,500
K mart Corp.	15.2	195,180
Kaiser Aluminum & Chemical Corp.	4.0	106,600
Kaiser Cement Corp.	.8	65,000
Kallestad Laboratories	2.4	28,500
Kaneb Services	3.2	19,000
Kansas City Southern Industries	.8	5,900
Kansas-Nebraska Nat'l Gas Co.	.8	50,000
Kansas Power & Light Co.	.8	2,000
Kaufman & Broad	1.6	2,200
Kellogg Co.	1.6	13,200
Kelly-Johnson Enterprises	1.6	27,500
Kelly Services	.8	55,000
Kennametal	.8	97,600
Kentucky Utilities Co.	.8	4,000
Kerr-McGee Corp.	9.6	99,100
Kevex Corp.	1.6	103,935
Keystone Consolidated Industries	.8	6,000
Keystone Int'l	1.6	77,000
Kidde (Walter) & Co.	1.6	81,800
Kimberly-Clark Corp.	5.6	71,750
Kinder-Care Learning Centers	1.6	245,000
KLA Instrument Corp.	.8	50,000
Kloss Video Corp.	.8	9,500
Knight-Ridder Newspapers	4.0	59,700
Knight Royalty Corp.	.8	93,000
Koger Properties	2.4	416,700
Koppers Co.	4.0	150,500
Kroger Co.	4.0	253,900
Kroy Industries	2.4	152,800
Kulicke & Soffa Industries	.8	2,000
Kyoto Ceramic Ltd.	.8	30,000
L & N Housing Group Corp.	.8	57,200
La Quinta Motor Inns	1.6	127,500
Laclede Steel Co.	.8	50,000
Lanier Business Products	.8	48,000
Lawson Products	.8	16,600
Lawter Chemicals	1.6	37,000
Lear Petroleum	2.4	375,000
Lear Siegler	1.6	84,000
Leaseway Transportation Corp.	2.4	73,000
Leggett & Platt	.8	1,750
Lennar Corp.	1.6	87,100
Lenox	3.2	42,800
Leslie Fay	.8	7,000
Levi Strauss & Co.	8.0	80,600
Lewis (Palmer G.) Co.	.8	22,590
Lexidata Corp.	1.6	13,000
Libbey-Owens-Ford Co.	1.6	2,600
Liberty Corp.	1.6	261,900
Liebert	.8	18,000
Lifemark Corp.	4.0	154,000
Lilly (Eli) & Co.	16.0	143,524
Lilly Tulip	.8	163,124
Limited Stores	.8	10,000
Lin Broadcasting Corp.	.8	50,000
Lincoln National Corp.	3.2	8,800
Lionel Corp.	.8	250,000
Litton Industries	5.6	116,195
Loctite Corp.	1.6	104,000
Lomas & Nettleton Financial Corp.	2.4	285,400
Lone Star Industries	4.0	23,154
Longs Drug Store	.8	4,123
Longview Fibre Co.	.8	3,000
Loral Corp.	7.2	102,654
Louisiana Land & Exploration Co.	3.2	15,000
Louisiana Pacific Corp.	4.8	25,589
Lowenstein Corp.	.8	3,000
Lowe's Cos.	2.4	396,650
LTV Corp.	1.6	17,500
Lubrizol Corp.	4.8	172,400
Luby's Cafeterias	2.4	80,100
Lucky Stores	1.6	10,246
M/A-Com	10.4	189,300
Macmillan	2.4	7,500
Macy (R. H.) & Co.	3.2	63,017
Magic Chef	.8	214,000
Magnuson	.8	25,000
Mallinckrodt	.8	13,000
Malone & Hyde	.8	4,000
Management Science America Corp.	1.6	55,500
Manufacturers Hanover Corp.	5.6	56,600
MAPCO	3.2	63,300
Marathon Oil Co.	2.4	13,000
Marcade Group	.8	10,000
Marriott Corp.	3.2	287,748
Marsh & McLennan Cos.	4.8	137,200
Marshall Field & Co.	2.4	4,100
Marte Products	.8	24,000
Martin Marietta Corp.	3.2	14,950
Maryland Cup Corp.	2.4	26,300
Maryland Nat'l Corp.	.8	150,000
Masco Corp.	6.4	76,400
Masonite Corp.	1.6	2,748
Materials Research Corp.	.8	5,333
Matrix Science Corp.	.8	80,000
Matsushita Electric Industrial	1.6	3,700
Mattel	2.4	20,000
May Department Stores Co.	3.2	35,700
May Petroleum Co.	4.8	158,735
Maytag Co.	4.0	46,900
MCA	4.0	62,800
McDermott	7.2	94,975
McDonald's Corp.	12.0	92,800
McDonnell Douglas Corp.	4.8	58,800
McGraw-Edison Co.	2.4	4,700
McGraw-Hill	2.4	23,500
MCI Communications Corp.	4.8	190,738
McKeon Construction Co.	.8	78,400
Mead Corp.	4.8	90,900
Measurex Corp.	4.0	42,200
Medtronic	8.0	465,400
Mellon National Corp.	1.6	3,900
Melville Corp.	4.0	22,900
Mercantile Stores Co.	1.6	3,600
Mercantile Texas Corp.	4.0	99,500
Merck & Co.	25.6	188,739
Meredith Corp.	1.6	600
Merrill Lynch & Co.	2.4	26,700
Mesa Petroleum Co.	13.6	525,896
Mesa Royalty Trust	.8	1,300
Metpath	.8	10,900
Metro-Goldwyn-Mayer	3.2	18,205
Metromedia	1.6	800
Meyer (Fred)	.8	179,656
Meyer (Fred) Real Estate Properties	.8	405,544
MGF Oil Corp.	4.0	238,000
MGIC Investment Corp.	2.4	65,600
Micro Z Corp.	.8	10,000
Microdyne Corp.	2.4	130,000
Microsonics Corp.	.8	5,000
Midcon Corp.	1.6	14,333
Middle South Utilities	3.2	37,719
Midland-Ross Corp.	.8	2,600
Miller (Herman)	.8	70,000
Miller-Wohl Co.	1.6	20,500
Millipore Corp.	5.6	112,500
Milton Bradley Co.	2.4	19,000
Minnesota Mining & Mfg. Co.	19.2	197,540
Mission Insurance Group	2.4	21,500
Missouri Pacific Corp.	4.0	28,800
Mitchell Energy & Development	4.8	188,131
Mite Corp.	.8	350
Mitel Corp.	1.6	68,900
Mobile Communications Corp. of America	1.6	19,000
Mobil Corp.	17.6	461,500
Mohasco Corp.	1.6	2,400
Mohawk Data Sciences Corp.	.8	19,000
Molex	.8	116,500
Monarch Avalon	.8	10,800
Monarch Machine Tool Co.	1.6	900
Monsanto Co.	11.2	127,900
Montana Power Co.	.8	3,000
Monument Energy Services	.8	135,000
Moog	4.0	169,800
Moore McCormack Resources	1.6	4,850
Moran Energy	2.4	270,350
Morgan (J. P.) & Co.	11.2	91,050
Morrison-Knudsen Co.	.8	2,600
Morse Shoe	1.6	132,200
Morton-Norwich Products	1.6	47,000
Motorola	6.4	60,000
Multimedia	1.6	100,498
Murphy (G. C.) Co.	.8	90,000
Murphy Oil Corp.	3.2	39,400
Muse Air Corp.	.8	17,000
Mutual of New York	.8	41,500
Nabisco	8.0	110,965
Nalco Chemical Co.	5.6	95,000
Napco Industries	.8	4,375
Naples Federal Savings & Loan Assn.	.8	9,000
Nashua Corp.	.8	1,600
National Bank of Alaska	.8	9,000
National Can Corp.	1.6	1,800
National Commerce Bank Corp.	.8	106,000
National Computer Systems	1.6	151,500
National Convenience Stores	1.6	65,400
National Data Corp.	.8	170,000
National Distillers & Chemical Corp.	3.2	14,100
National Gypsum Co.	1.6	3,300
National Medical Care	4.8	584,000
National Medical Enterprises	4.0	63,694
National Patent Development	.8	4,000
National Semiconductor Corp.	3.2	29,500
National Service Industries	.8	5,200
National Standard Co.	.8	6,700
National Steel Corp.	1.6	3,800
National Utilities & Industries Corp.	.8	2,000
Natomas Co.	5.6	256,340
NBI	1.6	20,900
NCH Corp.	.8	2,000
NCNB Corp.	1.6	3,810
NCR Corp.	5.6	108,600
Nerda Microwave Corp.	.8	65,700
Network Securities Corp.	.8	30,000
Network Systems Corp.	3.2	98,950
New Brunswick Scientific	.8	50,000
New England Business Service	.8	67,500
New England Electric System	2.4	10,412
New England Merchants Co.	.8	34,500
New York Times Co.	.8	60,000
Newfoundland Capital Corp.	.8	75,000
Newhall Land & Farming Co.	.8	153,900
Newmont Mining Corp.	3.2	16,700
Newpark Resources	1.6	4,300
Newport Corp.	.8	110,000
Newsco Well Services	.8	80,000
Niagra Mohawk Power Corp.	1.6	15,000
Nicklos Oil & Gas	4.8	209,800
Nicor	.8	2,100
Nielsen (A. C.) Co.	2.4	43,900
Nike	1.6	17,500
Nippon	.8	100
NL Industries	12.8	259,900

Stock	% of Funds Holding	Number of Shares Held
NLT Corp.	5.6	127,300
NML Real Estate Trust	.8	10,000
Nobility Homes	.8	3,000
Noble Affiliates	8.0	188,900
Nordstrom	4.0	160,500
Norfolk & Western Railway Co.	10.4	73,000
Norpac Exploration Services	.8	42,900
Norstan	.8	95,000
Northern Consolidated Oils, Ltd.	.8	10,000
Northeast Utilities Service Co.	.8	11,000
Northern Calif. Savings & Loan Assn.	.8	118,100
Northern Indiana Public Service Co.	.8	2,200
Northern States Power Co.	4.8	116,303
Northern Telecom Ltd.	4.0	172,400
Northwest Airlines	5.6	43,200
Northwest Bancorp.	4.0	46,100
Northwest Industries	6.4	48,936
Northwest Natural Gas Co.	.8	20,000
Northwestern Nat'l Life Insurance Co.	.8	76,800
Norton Co.	2.4	25,200
Norton Simon	1.6	9,210
Novo Corp.	3.2	72,404
Nucor Corp.	2.4	4,000
Numac Oil & Gas	.8	63,900
Oak Industries	3.2	229,180
Oakwood Petroleum Ltd.	.8	69,900
Occidental Petroleum Corp.	2.4	120,464
Ocean Drilling & Exploration Co.	.8	5,000
Odetics	.8	700
Ogden Corp.	.8	10,100
Ogilvy & Mather	.8	20,000
Ohio Edison Co.	3.2	38,784
Oklahoma Gas & Electric Co.	.8	8,300
Oklahoma Natural Gas Co.	.8	1,900
Olin Corp.	.8	68,000
Olsten Corp.	.8	96,000
Omark Industries	.8	12,700
Omnicare	1.6	41,400
ONEOK	1.6	2,000
Orbanco Financial Svcs. Corp.	.8	10,000
Oriole Homes Corp.	.8	66,990
Outboard Marine Corp.	2.4	37,200
Overnite Transportation Co.	.8	17,000
Overseas Shipholding Group	.8	95,400
Owens-Corning Fiberglas Corp.	5.6	37,400
Owens-Illinois	5.6	59,900
Ozark Air Lines	.8	5,000
P. T. Components	.8	77,705
Pabst Brewing Co.	1.6	1,700
Paccar	3.2	7,700
Pacific Gamble Robinson Co.	.8	7,386
Pacific Gas & Electric Co.	6.4	115,412
Pacific Gas Transmission	1.6	77,100
Pacific Lighting Corp.	1.6	5,000
Pacific Lumber Co.	1.6	35,000
Pacific Power & Light Co.	1.6	19,743
Paine, Webber	.8	2,500
Pall Corp.	1.6	40,000
Palm Beach Co.	1.6	28,200
Palmetto Savings & Loan Assn. (Fla.)	.8	5,000
Pan American Bancshares	.8	80,300
Panhandle Eastern Pipe Line Co.	9.6	61,755
Paradyne Corp.	4.0	115,500
Parker Drilling Co.	6.4	445,500
Parker-Hannifin Corp.	2.4	105,150
Parker Pen Co.	.8	11,050
Parsons Corp.	.8	4,000
Patrick Petroleum Co.	2.4	87,935
Pay Less Drug Stores	1.6	127,000
Pay 'N' Pak Stores	1.6	213,400
Pay-N-Save Corp.	2.4	179,500
Payless Cashways	.8	1,600
Peabody Int'l Corp.	1.6	2,200
Peavey Co.	.8	25,000
Penn Central Co.	.8	3,550
Penney (J. C.) Co.	8.8	160,785
Pennsylvania Power & Light Co.	.8	6,000
Pennzoil Co.	2.4	78,900
Peoples Energy Corp.	3.2	20,048
People's Express Airline	.8	36,400
Pepsico	16.8	468,844
Perini Corp.	.8	113,900
Perkin-Elmer	7.2	96,900
Permian Basin Royalty	1.6	185,700
Petrie Stores Corp.	4.0	75,850
Petrolane	2.4	50,000
Petroleum Equipment Tools Co.	2.4	26,500
Petroleum Helicopters	2.4	207,000
Petrolite Corp.	2.4	161,500
Pfizer	20.0	404,642
Phelps Dodge Corp.	2.4	11,800
PHH Group	8	21,000
Phibro Corp.	10.4	213,756
Philadelphia Electric Co.	3.2	33,100
Philadelphia National Corp.	.8	15,000
Philip Morris	29.6	569,125
Philips Industries	1.6	23,000
Phillips Petroleum Co.	17.6	235,200
Pic'N'Save Corp.	4.0	147,959
Piedmont Aviation	1.6	21,000
Piedmont Natural Gas Co.	.8	100,000
Pillsbury Co.	3.2	56,200
Pioneer Corp. of Texas	2.4	54,000
Pioneer Hi-Bred Int'l	1.6	152,300
Pitney Bowes	3.2	15,000
Pittsburgh National Corp.	.8	2,600
Pittston Co.	7.2	118,100
Pittway Corp.	.8	2,000
Plantronics	1.6	176,500
Pogo Producing Co.	2.4	124,000
Polaroid Corp.	1.6	6,400
Policy Mgmt. System Corp.	.8	13,000
Potlatch Corp.	1.6	3,200
PPG Industries	5.4	74,000
Precision Castparts Corp.	.8	8,600
Prentice-Hall	1.6	17,000
Presidio Oil Co.	1.6	226,100
Prime Computer	5.6	62,100
Procter & Gamble Co.	17.6	258,250
Production Operators	1.6	305,000
Property Capital Trust	.8	7,700
Provident National Corp.	.8	3,000
Public Svc. Co. of Colorado	1.6	48,000
Public Svc. Co of Indiana	8.0	179,806
Public Svc. Co. of New Mexico	.8	4,700
Public Svc. Electric & Gas Co.	1.6	15,252
Puget Sound Power & Light Co.	1.6	11,900
Pulte Home Corp.	1.6	197,900
Purex Corp.	4.0	18,400
Puritan Bennett Corp.	.8	75,000
Purolator Products	.8	3,100
Quadrex Corp.	.8	10,000
Quaker Oats Co.	3.2	12,100
Quality Care	.8	60,000
Quanex Corp.	3.2	24,050
Quotron Systems	1.6	147,200
Radiofone Corp.	.8	107,500
Ralston Purina Co.	6.4	128,483
Ranier Bancorp.	.8	10,000
Ransburg Corp.	2.4	29,000
Rapidata	.8	37,500
Ratliff Drilling & Exploration	.8	20,000
Raychem	1.6	136,800
Raytheon Co.	21.6	384,242
RCA Corp.	5.6	69,705
Reading & Bates Corp.	5.6	339,300
Redken Labs	.8	6,500
Redman Industries	2.4	29,600
Reeves Communications Corp.	1.6	4,800
RepublicBank Corp.	.8	96,000
Republic Corp.	1.6	103,100
Republic Steel Corp.	1.6	3,300
Republic Texas	1.6	9,000
Reuter	.8	4,625
Revco D. S.	6.4	138,400
Revlon	10.4	117,900
Rexham Corp.	.8	70,000
Rexnord	1.6	4,300
Reynolds (R. J.) Industries	20.0	300,600
Reynolds Metals Co.	2.4	4,800
Richardson-Vicks	4.8	52,400
Rite Aid Corp.	6.4	229,333
Roadway Express	4.8	26,000
Robinson Nugent	.8	65,000
Rockwell Int'l Corp.	3.2	30,800
Rohm & Haas Co.	.8	9,400
Rohr Industries	.8	22,000
Rollins	4.0	156,700
Rolm Corp.	8.0	77,336
Rorer Group	3.2	29,800
Rouse Co.	.8	145,000
Rowan Cos.	5.6	1,079,400
Royal Crown Cos.	1.6	1,700
Royal Dutch Petroleum	3.2	71,000
RPM	2.4	28,682
Rubbermaid	2.4	82,000
Russ Togs	.8	32,000
Russell Corp.	.8	19,244
Ryan Homes	2.4	266,998
Ryder System	2.4	166,160
Rykoff (S. E.) & Co.	.8	185,000
Ryland Group	.8	64,600
Sabine Corp.	1.6	77,310
Safeco Corp.	2.4	5,300
Safeguard Business Systems	1.6	129,000
Safety-Kleen Corp.	1.6	300,000
Safeway Stores	3.2	23,400
Sage Energy Co.	.8	117,300
St. Paul Cos.	5.6	40,100
St. Regis Paper Co.	3.2	40,200
San Bar Corp.	1.6	31,000
San Juan Basin Royalty	.8	125,000
Sanders Assoc.	4.0	101,125
Santa Anita Realty Enterprises	.8	139,000
Santa Fe Industries	9.6	262,550
Santa Fe Int'l Corp.	3.2	60,300
Savannah Foods & Industries	.8	3,150
Saxon Oil	.8	8,000
SCA Services	.8	11,000
Scan Optics	.8	30,000
Schaak Electronics	.8	20,000
Schering-Plough Corp.	10.4	161,600
Schlitz (Jos.) Brewing Co.	2.4	30,700
Schlumberger Ltd.	36.8	552,374
SCI Systems	.8	123,447
Scientific-Atlanta	6.4	47,000
Scientific Software	.8	20,500
SCM Corp.	.8	12,000
Scott & Fetzer Co.	1.6	60,000
Scott Paper Co.	2.4	22,700
Scotty's	.8	8,700
Scovill	.8	30,000
Sea Galley Stores	1.6	221,000
SeaCo.	.8	8,000
Seafirst Corp.	1.6	16,000
Seagate Technology	.8	500
Seagram Co. Ltd.	2.4	7,900
Sealed Air Corp.	2.4	57,000
Sealed Power Corp.	.8	12,400
Searle (G. D.) & Co.	4.0	133,800
Sears, Roebuck & Co.	4.8	145,350
Security Pacific National Bank	1.6	2,000
Sedco	6.4	151,900
Seibels (Bruce) Group	.8	201,300

Stock	% of Funds Holding	Number of Shares Held
Seis Pros	.8	50,000
Sensormatic Electronics Co.	4.8	96,349
Service Merchandise Co.	.8	250,000
Servicemaster Industries	4.0	61,954
Seven Oaks Int'l	.8	12,000
SFN Cos.	1.6	2,300
Shaklee Corp.	.8	16,200
Shared Medical Systems Corp.	2.4	213,000
Shawmut Corp.	.8	112,000
Sheldahl	.8	40,000
Shell Oil Co.	5.6	126,000
Sheller-Globe Corp.	.8	10,100
Sherwin-Williams Co.	.8	1,900
Shoney's	.8	230,000
Signal Cos.	4.8	78,390
Skyline Corp.	2.4	4,400
Smith Int'l	7.2	72,400
SmithKline Corp.	22.4	205,500
Snap-on Tools Corp.	4.8	81,878
Sonat	.8	15,000
Sony Corp. of America	8.0	442,400
Sooner Federal Savings & Loan Assn.	.8	20,000
South Carolina Electric & Gas Co.	.8	8,700
South Carolina National Corp.	.8	26,500
Southeast Banking Corp.	2.4	90,000
Southern Calif. Edison Co.	6.4	62,093
Southern Co.	4.0	85,403
Southern Natural Resources	10.4	153,400
Southern Pacific Co.	1.6	16,700
Southern Railway Co.	9.6	35,100
Southern Union Co.	.8	60,000
Southland Corp.	3.2	258,000
Southland Royalty Co.	3.2	191,300
Southwest Airlines Co.	1.6	3,312
Southwest Bankshares	1.6	40,500
Southwest Florida Banks	.8	100,000
Southwest Forest Industries	.8	100,000
Southwestern Public Svc. Co.	.8	70,000
Sovereign Corp.	.8	200,000
Sparkman Energy	.8	82,650
Spectra Physics	2.4	120,900
Sperry Corp.	8.0	124,771
Spring Mills	1.6	1,900
SPS Technologies	.8	10,500
Square D Co.	8.0	89,900
Squibb Corp.	7.2	141,300
Staff Builders	.8	1,000
Staley (A. E.) Mfg. Co.	.8	1,500
Standard Brands	.8	5,000
Standard Oil Co. (Indiana)	28.8	492,040
Standard Oil Co. of Calif.	20.8	475,690
Standard Oil Co. (Ohio)	9.6	210,500
Standard Pacific	.8	150,600
Stanley Works	.8	55,000
State Street Boston Corp.	.8	4,000
Statesman Group	.8	95,000
Stauffer Chemical Co.	5.6	51,800
Stelco	1.6	135,000
Sterling Drug	5.6	253,900
Stevens (J. P.) & Co.	1.6	3,100
Stone Container Corp.	.8	400
Storage Technology	7.2	83,490
Storer Broadcasting Co.	.8	36,700
Stryker Corp.	1.6	28,000
Subaru of America	.8	12,500
Suburban Propane Gas Corp.	.8	10,600
Sullair Corp.	.8	6,000
Sun Co.	3.2	70,800
Sunair Electronics	.8	15,000
Sunbeam Corp.	3.2	88,800
Sundance Oil Co.	.8	5,000
Sundstrand Corp.	5.6	89,333
Super Valu Stores	3.2	148,500
Superior Oil Co.	13.6	485,350
Sybron Corp.	2.4	86,900
Syntex	1.6	3,000
Sysco Corp.	4.8	137,942
System Industries	.8	7,000
Systematics	.8	500
T R E Corp.	2.4	31,400
Taft Broadcasting Co.	4.8	108,900
Tampax	.8	4,100
Tandem Computers	6.4	407,800
Tandon Corp.	2.4	135,000
Tandy Corp.	13.6	938,996
Teck Ltd.	.8	70,000
Teco Energy	3.2	180,000
Tektronix	6.4	25,750
Tele-Communications	.8	130,000
Teleco Oilfield Svcs.	3.2	348,873
Telecommunications Equipment Corp.	2.4	12,500
Telecredit	.8	42,000
Teledyne	1.6	4,068
Telephone & Data Systems	.8	15,000
Telesciences	2.4	784,326
Tellabs	.8	6,000
Tenneco	15.2	272,049
Teradyne	1.6	1,700
Texaco	8.8	168,000
Texas American Bancshares	.8	30,000
Texas Commerce Bancshares	4.0	89,500
Texas Eastern Corp.	4.8	68,800
Texas Gas Transmission Corp.	8.8	114,800
Texas General Resources	1.6	46,650
Texas Industries	1.6	16,464
Texas Instruments	5.6	31,500
Texas Int'l Co.	2.4	61,600
Texas Oil & Gas Corp.	18.4	429,580
Texas Utilities Co. System	10.4	129,231
Texcan	.8	20,900
Textron	4.8	72,100
Thermo Electron Corp.	.8	2,000
Thiokol Corp.	1.6	19,500
Thomas & Betts Corp.	2.4	4,600
Thomas Industries	.8	4,000
Tidewater	4.8	160,800
Tie Communications	.8	3,000
Time	3.2	25,000
Times Fiber Communications	2.4	130,500
Times Mirror Co.	4.8	88,100
Timken Co.	1.6	2,400
Todd Shipyards Corp.	.8	1,000
Torotel	.8	15,000
Tosco Corp.	1.6	2,700
Towle Mfg. Co.	.8	20,000
Toys "R" Us	3.2	254,650
Tracor	2.4	140,227
Trane Co.	1.6	2,000
Trans World Corp.	.8	13,500
Transamerica Corp.	4.8	98,000
Transco Cos.	7.2	94,900
Transway Int'l Corp.	.8	3,500
Travelers Corp.	7.2	93,500
Triad Systems Corp.	3.2	109,675
Trinity Industries	1.6	184,900
Trust Co. of Georgia	.8	10,000
TRW	8.8	92,100
Tucson Electric Power	.8	1,000
Twin Disc	.8	3,000
Tyco Laboratories	.8	6,000
Tyler Corp.	2.4	27,000
Tymshare	4.8	52,100
UAL	3.2	42,400
UGI Corp.	1.6	95,000
Ultra Systems	.8	34,500
UMC Industries	.8	2,700
UNC Resources	.8	2,300
Unilever	1.6	6,300
Unimation	2.4	52,890
Union Camp Corp.	9.6	77,900
Union Carbide Corp.	10.4	125,782
Union Oil Co. of Calif.	19.2	557,908
Union Pacific Corp.	17.6	235,891
Union Planters Corp.	.8	70,000
Unit Drilling & Exploration	.8	7,300
United Banks of Colorado	.8	10,000
United Brands Co.	.8	500,000
United Cable Television	.8	6,000
United Energy Resources	7.2	183,850
United Financial Group	2.4	3,875
United Keno Hills Mines Ltd.	.8	37,400
U.S. Air	.8	60,000
U.S. Bancorp.	.8	6,600
USF&G Corp.	4.8	34,150
United States Gypsum Co.	3.2	38,160
U.S. Home Corp.	4.0	196,450
USLIFE Corp.	1.6	106,000
United States Shoe Corp.	.8	3,000
U.S. Steel Corp.	4.8	55,300
United States Surgical Corp.	3.2	239,350
United States Tobacco Co.	2.4	23,700
U.S. Trust Co. of New York	1.6	6,100
United Stationers	1.6	41,000
United Technologies Corp.	13.6	169,985
United Telecommunications	6.4	102,642
Unitrode Corp.	.8	14,000
Univar Corp.	.8	4,000
Universal Foods Corp.	.8	45,400
Universal Health Services	1.6	24,550
Universal Leaf Tobacco Co.	.8	3,500
Universal Resources Corp.	1.6	174,000
Upjohn Co.	8.0	70,200
Utah Power & Light Co.	.8	1,000
Valero Energy Corp.	3.2	91,000
Valley National Corp. of Arizona	2.4	47,000
Valleylab	2.4	116,400
Varco Int'l	.8	200,000
Varian Assoc.	.8	53,300
Varlen Corp.	.8	500
Vector Graphic	.8	12,000
Veeco Instruments	2.4	68,150
Vermont American Corp.	1.6	146,500
Vernitron Corp.	.8	13,500
V.F. Corp.	2.4	21,700
Viacom int'l	1.6	39,700
Video Corp., America	.8	22,000
Viking Freight System	.8	12,000
Virginia Electric & Power Co.	1.6	19,800
Virginia National Bancshares	1.6	13,000
Visual Technology	.8	20,000
Vitramon	.8	13,860
Wachovia Corp.	3.2	76,000
Wainoco Oil Co.	1.6	51,000
Wal-Mart Stores	4.8	39,649
Walgreen Co.	1.6	1,400
Walker (Hiram) Resources Ltd.	1.6	13,600
Walter (Jim) Corp.	3.2	34,600
Wang Laboratories	7.2	84,794
Warner Communications	18.4	232,907
Warner-Lambert Co.	9.6	185,300
Washington Gas Light Co.	.8	5,000
Waste Management	8.0	61,600
Watkins-Johnson Co.	3.2	50,800
Weatherford Int'l	4.0	214,725
Welded Tube Co. of America	.8	40,800
Wells Fargo & Co.	3.2	30,000
Wells Fargo Mortgage & Equity Trust	.8	3,500
Wendy's Int'l	.8	100,000
Western Co. of North America	6.4	175,237
Western Union Corp.	1.6	10,800
Westinghouse Electric Corp.	7.2	101,000
Westmoreland Coal Co.	2.4	56,700
WestPoint Pepperell	2.4	22,100
Westvaco Corp.	1.6	5,000
Weyerhaeuser Co.	8.8	194,400

Stock	% of Funds Holding	Number of Shares Held
Wheelabrator-Frye	5.6	35,422
Whirlpool Corp.	4.0	14,800
White Consolidated Industries	3.2	108,200
Whittaker Corp.	4.0	94,600
Willamette Industries	1.6	10,171
Williams Cos.	8.0	176,200
Williams Electronics	.8	9,500
Wilson (H. J.) Co.	.8	20,500
Winn-Dixie Stores	1.6	5,000
Wisconsin Electric Power Co.	6.4	146,379
Wisconsin Public Service Corp.	.8	10,000
Wiser Oil Co.	.8	5,000
Witco Chemical Corp.	.8	13,000
Wolverine World Wide	.8	47,600
Wometco Enterprises	1.6	127,000
Woods Petroleum	.8	60,000
Woolworth (F. W.) Co.	2.4	9,400
Worthington Industries	.8	45,000
Wright (Barry) Corp.	.8	7,000
Wrigley (Wm.), Jr. Co.	1.6	1,700
Writer Corp.	.8	17,000
Wyle Laboratories	.8	1,563
Xerox Corp.	17.6	191,375
Xidex	.8	5,000
Yellow Transit Freight Lines	3.2	36,700
Zapata Corp.	2.4	251,500
Zayre Corp.	1.6	164,600
Zenith Radio Corp.	1.6	4,500
Zions Utah Bancorp.	1.6	75,000
Zurn Industries	2.4	17,500

The drop-ins

Accivalmex
Adac Laboratories
Air Florida
Ala Moana Hawaii Properties Ltd.
Alaska Pacific Bancorp.
Alco Standard Corp.
Alpha Portland Industries
American Fluoride Corp.
Anderson Greenwood & Co.
Angelica Corp.
Ask Computer Systems
Bank of the South
Barnes Group
Basic Earth Science Systems
Beker Industries Corp.
Boston Digital Corp.
Bow Valley Industries Ltd.
Bracken Oil
Brock Hotel Corp.
Brown (Tom)
Burns Int'l Security Svcs.
Butler Int'l
Caesar's World
Carolina Freight Carriers Corp.
Central Soya Co.
Cetsus
Charming Shoppes
Chicago & Northwestern Transportation Co.
Chi-Chi's
Chieftain Development Ltd.
Chromalloy American Corp.
Cipher
Coastal Corp.
Collagen Corp.
Comdisco
Commerce Clearing House
Communications Satellite Corp.
Community Psychiatric Centers
Computone Systems
ConAgra
Conwood Corp.
Cooper Tire & Rubber Co.
Corvus Systems
Cut & Curl
Daniel Industries
Data IO Corp.
Delta Drilling Co.
Detroit Bank Corp.
Diasonics
DiGiorgio Corp.
Dillon Cos.
Docutel
Donaldson Co.
Duriron Co.
Electro Biology
Electrospace Systems
Energy Minerals
Ennis Business Forms
Enterra Corp.
Equitable Gas Co.
Esterline Corp.
Faberge
Figgie Int'l
First America Corp. of Tennessee
Forest Oil Corp.
Fortia (A.B.)
Fox-Stanley Photo Products
Freedom Savings & Loan Assn.
Freemont General Corp.
Gap Stores
Garcias Scottsdale
Gerber Scientific Instrument Co.
Gibraltar Savings Assn. (Houston)
Gordon Jewelry Corp.
Graphic Scanning Corp.
Grumman Corp.
Gulf States Utilities Co.
HBO & Co.
Heck's
Imed Corp.
Informatics
Insilco Corp.
Interface Mechanisms
ISSC Industrial Solid State Controls
Jefferson Nat'l. Life Insurance Co.
Kansas-Nebraska Nat'l. Gas Co.
Kaufman & Broad
KLA Instrument Corp.
Kyoto Ceramic Ltd.
L & N Housing Group Corp.
Laclede Steel Co.
Liebert
Lilly Tulip
Limited Stores
Lionel Corp.
Luby's Cafeterias
Magic Chef
Marcade Group
Matrix Science Corp.
Merrill Lynch & Co.
Microsonics Corp.
Mite Corp.
Monarch Avalon
Monarch Machine Tool Co.
Montana Power Co.
Morse Shoe
Murphy (G. C.) Co.
National Commerce Bank Corp.
National Standard Co.
Nerda Microwave Corp.
Newfoundland Capital Corp.
Newport Corp.
Norpac Exploration Services
Northern Calif. Savings & Loan
Novo Corp.
Olin Corp.
Omnicare
Ozark Air Lines
P. T. Components
Paccar
Paine, Webber
Peavey Co.
Penn Central Co.
Policy Management System Corp.
Property Capital Trust
Provident National Corp
Radiofone Corp.
Rapidata
Reuter
Rohr Industries
Russell Corp.
Rykoff (S.E.) & Co.
Scotty's
Scovill
Security Pacific National Bank
Seis Pros
Sheldahl
Sheller-Globe Corp.
Shoney's
Southwest Forest Industries
Southwestern Public Svc. Co.
Sovereign Corp.
Statesman Group
Stelco
Tele-Communications
Telecredit
Telephone & Data Systems
Texas American Bancshares

Texas Int'l Co.
Texcan
Thomas Industries
Todd Shipyards Corp.
Twin Disc
Ultra Systems
Unit Drilling & Exploration
United Brands Co.
Universal Health Services
Vector Graphic
Vernitron Corp.
Video Corp., America
Viking Freight System
Visual Technology
Washington Gas Light Co.
Welded Tube Co. of America
Wendy's Int'l
Wilson (H. J.) Co.
Wolverine World Wide
Wright (Barry) Corp.
Zayre Corp.

The drop-outs

American Hoist and Derrick Co.
American Motors Corp.
AMFAC
Ampex Corp.
Applicon
Applied Materials
AZL Resources
Bairnco
Ball Corp.
Barber-Greene Co.
Bearings
Beverly Enterprises
Bowne & Co.
Braniff Int'l
Brascan
Brenda Mines
British Petroleum
Bunker Ramo Corp.
Cabot Corp.
Callon Petroleum
Central Carolina Bank & Trust Co.
Chemed Corp.
Chomerics
Clark Oil & Refining Corp.
Coca-Cola Bottling Co. of N.Y.
Coldwell Banker
Colt Industries
Columbia General Corp.
Comshare
Conoco
Continental Air Lines
Continental Oil Co.
Convill Communities
Copeland Corp.
Crouse-Hinds Co.
Data Card Corp.
Dataproducts Corp.
Dataram Corp.
Delaware & Hudson Railway Co.
Delhi Int'l Oil Corp.
Detections Systems
Dreco Energy Services
Eastern Air Lines
Elscint Ltd.
Employers' Casualty Corp.
Energy Conversion
Energy Resources Group
Epsco
Evans Products Co.
FBM
Ferro Corp.
First Tennessee National Corp.
Fisher Scientific Co.
Florida National Banks
Foote, Cone & Belding Communications
General DataComm Industries
General Nutrition Corp.
GK Technologies
Great American Industries
Hall (Frank B.) & Co.
Hecla Mining Co.
Heritage Communication
Hobart Corp.
Houston Oil & Minerals Corp.
Hudson Bay Oil & Gas
Hudson Petroleum
Illinois Tool Works
International Harvester Co.
Ionics
Iowa Beef Processors
Kansas Power & Light Co.
Kennecott Corp.
Kemper Corp.
Knogo
Lance
Lennox Industries
Life Instruments
Long Island Lighting Co.
Louisville Gas & Electric Co.
Management Assistance
Marley Co.
Mayer (Oscar) & Co.
McCormick & Co.
McFarland Energy
MEI Corp.
Memorex Corp.
Merland Explorers
Modern Merchandising
Modular Computer Service Systems
Monarch Capital Corp.
Monogram Industries
Monolithic Memories
Mountain States Resources
MTS Systems Corp.
National City Bancorp.
National City Lines
National Old Line Insurance Co.
New England Nuclear Corp.
Newport Pharmaceuticals
Niagara Frontier Services
Nicolet Instrument Corp.
Nipsco
Norris Industries
North American Philips Corp.
North American Royalties
Northwest Energy Co.
Pacific Southwest Airlines
PaR Systems
Pengo Industries
Philadelphia Suburban Corp.
Piccadilly Cafeterias
Porta System Corp.
Prairie Producing Co.
Printronix
Progressive Corp. of Ohio
Ramada Inns
Raymond Int'l
Realty & Mortgage Investors
Recognition Equipment
Red Lake Mines
Republic Airlines
Research-Cottrell
Reynolds & Reynolds
Richardson-Merrell
RLC Corp.
Robins (A.H.) Co.
Saga Corp.
St. Joe Minerals Corp.
San Francisco Real Estate Investors
Seagull Pipeline Corp.
Sealectro Corp.
Sherer Oil Co.
Siliconix
Southern Medical Pharmaceutical Co.
Southwestern Energy Co.
Standyne
Struthers Wells Corp.
Sun Banks of Florida
Sun Electric Corp.
Sunshine Jr. Stores
Tacoma Boatbuilding
Tampa Electric Co.
Texasgulf
Trans-Industries
Trans Union Corp.
Trus Joist Corp.
Turbo Resources
Twentieth Century-Fox Film Corp.
Unishops
United Television
Vallen
Varo
Volt Information Sciences
Wavetek
Weigh-Tronix
Weis Markets
Westburne Int'l Industries Ltd.
Western Air Lines
Western Casualty & Security Co.
Western Digital
Whitney Holding Corp.
Wiebbard Real Estate Investments
Woodhead (Daniel)
Wyman-Gordon Co.

The favorite fifty

Stock	Rank 1982	Rank 1981	% of Funds Holding	Number of Shares Held
IBM Corp.	1	1	62.4	1,121,352
Atlantic Richfield Co.	2	2	46.4	692,452
American Telephone & Telegraph Co.	3	6	43.2	800,495
General Electric Co.	4	4	43.2	477,628
Schlumberger Ltd.	5	5	36.8	552,374
Eastman Kodak Co.	6	8	36.8	450,980
Exxon Corp.	7	3	35.2	742,912
Philip Morris	8	9	29.6	569,125
Standard Oil Co. (Indiana)	9	7	28.8	475,690
Halliburton Co.	10	10	27.2	374,108
Digital Equipment Corp.	11	18	25.6	266,568
SmithKline Corp.	12	44	22.4	205,500
Raytheon Co.	13	11	21.6	384,242
Standard Oil Co. of Calif.	14	14	20.8	475,690
American Express Co.	15	—	20.8	361,661
Pfizer	16	35	20.0	404,642
Reynolds (R.J.) Industries	17	17	20.0	300,600
Union Oil of Calif.	18	28	19.2	557,908
Hewlett Packard Co.	19	—	19.2	277,900
Minnesota Mining & Manufacturing Co.	20	19	19.2	197,540
Caterpillar Tractor Co.	21	12	19.2	174,369
Texas Oil & Gas Corp.	22	—	18.4	429,580
Johnson & Johnson	23	36	18.4	415,235
Warner Communications	24	—	18.4	232,907
Mobil Corp.	25	15	17.6	461,500
Procter & Gamble Co.	26	—	17.6	258,250
Union Pacific Corp.	27	31	17.6	235,891
Phillips Petroleum Co.	28	16	17.6	235,200
Xerox Corp.	29	20	17.6	191,375
Pepsico	30	39	16.8	468,844
American Home Products Corp.	31	25	16.0	317,483
Lilly (Eli) & Co.	32	30	16.0	143,524
Tenneco	33	—	15.2	272,049
Dow Chemical Co.	34	38	15.2	209,004
K mart Corp.	35	21	15.2	195,180
Dresser Industries	36	42	14.4	233,228
Tandy Corp.	37	—	13.6	938,996
Mesa Petroleum Co.	38	—	13.6	525,896
Superior Oil Co.	39	26	13.6	485,350
General Motors Corp.	40	27	13.6	341,554
Citicorp	41	—	13.6	234,876
Deere & Co.	42	40	13.6	185,743
United Technologies Corp.	43	—	13.6	169,985
Hospital Corp. of America	44	—	12.8	320,523
NL Industries	45	—	12.8	259,900
Dart & Kraft	46	—	12.8	233,438
Intel Corp.	47	—	12.8	165,300
General Telephone & Electronics Corp.	48	—	12.8	158,916
Bristol-Myers Co.	49	22	12.8	156,600
Baxter Travenol Laboratories	50	—	12.0	312,000

JUNE 1982

Pension World

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American Brands: Growth Through Diversification

Investment in Shopping Centers

Effects of ERTA on ESOP's

Option Writing Management

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Pension World

June 1982
Volume 18 Number 6

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Plan Sponsor Focus: American Brands: Growth through diversification by Ronald Derven **13**
Three financial executives responsible for overseeing the $703 million invested through American Brands' 35 pension and profit-sharing plans highlight the company's long-term objectives of growth and safety for the funds.

Real Estate Highlight: Pension fund investment in regional shopping centers by Robert J. Crabbe **19**
When considering regional malls for the pension portfolio, a real estate consultant suggests "thinking like a retailer" to distinguish among the potential flop, the so-so center, and the outstanding success.

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The Economic Recovery Tax Act of 1981 has dramatically changed the method by which company contributions to tax credit employee stock ownership plans are determined — benefiting many employees but limiting opportunities for some.

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In the first of three profiles on employee benefits communications, this Du Pont executive details how the chemicals giant plotted a new benefits campaign for its 110,000 U.S. employees — to an overwhelmingly positive reception.

Pension World Basics: Option writing management for tax-exempt funds by Steve Hardy **65**
This investment consultant defines and categorizes types of option writing management, the pro's and con's of each type, and for what retirement funds each type of options management is suitable.

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Cover: **Through an extensive acquisition program undertaken during the last 20 years, American Brands now counts a dozen industries in its stable of subsidiaries. How the company protects the pension assets for its 25 retirement plans begins on page 13.**

VBPA

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Pension World NEWS

VOLUME 18 NUMBER 6 JUNE 1982

Real estate outperforms stocks and bonds

■ Westport, Conn.-based Evaluation Associates reports a median 1981 performance of 16.9 percent for the 33 open- and closed-end pooled equity real estate funds included in its *Real Estate Profiles*. This compares with −4.9 percent for the S&P 500 Stock Price Index and −1.0 percent for the Salomon Brothers High Grade Bond Index. 1981 returns for the 33 funds ranged from 10.5 to 38.9 percent.

Real Estate has outperformed both stock and bond indexes over longer time periods (see Table I). On average, real estate funds have outperformed stocks by 400 basis points and bonds by 1200 basis points annually.

To ascertain whether these longer-term results were an aberration of the high 1980 and 1981 real estate returns, EAI compared the returns using rolling five-year periods. Table II shows that these median real estate funds outperformed the bond index in all periods and the stock index in four of the six rolling five-year periods. In two periods, 1975-1979 and 1976-1980, the S&P 500 Index outperformed the median real estate fund. As with any median, half the real estate funds had superior returns, with the best performing real estate fund exceeding the index's return (15.4 percent in the first period and 23.4 percent in the second).

Table I Real Estate, Stock, and Bond Performance

	Annualized Total Rates of Return (Gross of Fees) (Ending December 31, 1981)			
	10 Years	8 Years	6 Years	4 Years
Median Real Estate Fund	14.0%	12.7%	13.8%	14.8%
S&P 500 Index	6.5	8.0	10.6	12.3
Salomon Index	3.0	2.7	1.8	−2.0

Table II Rolling Five-Year Periods

	Annualized Total Rates of Return (Gross of Fees)					
	1972-1976	1973-1977	1974-1978	1975-1979	1976-1980	1977-1981
Median Real Estate Fund	9.1%	8.7%	10.3%	11.8%	13.1%	14.1%
S&P 500 Index	4.8	−0.3	4.3	14.8	13.9	8.1
Salomon Index	7.4	6.3	6.0	5.8	2.4	− 1.3

The adage "past performance is no guarantee of future performance or trends" applies to real estate as well as to other asset classes. But as these statistics make clear, returns from real estate over various recent cycles have been consistently superior to or equivalent with both stocks and bonds.

The real estate data was derived by EAI from statistics included in *Real Estate Profiles*, a quarterly publication that tracks 46 open- and closed-end equity, equity-oriented mortgage, and balanced real estate funds available to employee benefit and other tax-exempt funds.

Foundation names 84 new CEBS's

■ Eighty-four persons have been designated as new Certified Employee Benefit Specialists (CEBS) by the Brookfield, Wisc.-based International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

Nineteen percent of the new CEBS graduates are from the insurance field, 18 percent from corporations, 16 percent are with consulting firms, 12 percent in the banking industry, and 9 percent are from government agencies. Other industries represented include accounting, auditing, benefits administration, education, health care, trust companies, and labor unions.

A total of 414 individuals have been named CEBS's since the program was instituted in 1977. The graduates qualify for the professional designation by passing a series of 10 college-level national examinations on employee benefits subjects and meeting high standards of business and professional conduct.

The 1982 national CEBS recognition ceremony will take place in October at the Foundation's 28th Annual Educational Conference in Montreal, Canada.

Becker study says 1981 was a year of lost opportunity

■ For pension funds, 1981 was a year of missed opportunities, according to Warburg Paribas Becker-A. G. Becker, in its *Performance Characteristics 1981* study.

The report, a comprehensive analysis of Becker's 3,500-fund data base representing $130 billion in assets, depicts a year in which returns in cash equivalents such as Treasury bills were the highest in at least 50 years and bond returns were the highest since 1976. Funds, however, did not shift assets heavily into either sector. The year also had the lowest equity returns since 1977.

"As one might expect, total fund returns also did not keep up with inflation last year," says Albert Pisterzi, general manager of Becker's Funds Evaluation Division.

In 11 equity industry groupings, energy stocks had the lowest return of all, but they continued to lead portfolio commitment lists. Meanwhile, utility stocks—the top performers—ranked ninth out of 11 sectors in fund commitment levels.

Part of the problem facing pension managers, according to Pisterzi, was that for the five-year period, 1977-81, only three industry sectors—energy, transportation, and health—outperformed the Consumer Price Index (CPI). "Based on historical returns, one could have expected a high return in energy in 1981," Pisterzi says, "but that just proves how difficult it is to read the market."

The highest returns on equity portfolios were in low-beta, low-capitalization, and low-price/earnings-ratio stocks or high-dividend-yield portfolios. Banks and insurance companies had higher total fund returns than investment counselors due to lower equity commitments, but banks, unlike previous years, also achieved the best stock performance.

Annualized Returns

Becker Median Performance	15 years 1967-81	10 years 1972-81	5 years 1977-81	3 years 1979-81	1981
Equities	5.7	4.3	9.1	15.6	−5.0
Bonds	4.7	4.8	2.5	2.4	6.1
Cash Equivalents	NA	9.2	11.2	14.3	17.7
Total Fund	5.4	4.8	7.5	11.8	2.2
Market Performance					
Stocks (S&P 500)	7.1	6.4	8.0	14.2	−5.3
Bonds (Salomon Brothers)	3.1	3.0	−1.3	−2.6	−1.0
Treasury Bills	7.0	7.9	9.7	12.0	14.1
Consumer Price Index	7.2	8.6	10.1	11.5	8.9

NA = not available.

Source: A. G. Becker, *Performance Characteristics 1981*, p. 9.

Pension/real estate assn. formed

■ After more than a year of informal meetings, Pension Real Estate Investment Assn. has been formally organized in New York City. Thomas J. Gochberg, president of Smith, Barney Real Estate Corp., is president of the new association. Peter Aldrich, a principal of Aldrich, Eastman & Waltch, is the chairman.

According to the co-founders and chief officers, the association was organized to foster the dissemination of legal, regulatory, and tax information affecting the pension fund industry involvement with the real estate investment arena, and to promote prudent and protective investment practices for employee benefit funds participating in the real estate capital markets.

Members in the association include those organizations devoted to the investment of retirement plan assets in real estate. In addition to Aldrich and Gochberg, officers of the new association are Arthur Viner, Investors Central Management Corp., as treasurer; and John P. Tuzzolino, Smith, Barney Real Estate Corp., as secretary. Directors include Kenneth Campia, La Salle Partners; John Collins, Sutro Advisors; John Lillard, JMB Institutional Realty; Donald A. King, Jr., Rosenberg Real Estate Funds; Robert L. Kinney, Merrill Lynch Hubbard; Meyer Melnikoff, Goldman Sachs & Co.; and Aldrich, Gochberg, and Viner.

Voting membership in the association is confined to pension or profit-sharing plans that are exempt from Federal income tax and organizations providing real estate investment vehicles or services for pension or profit-sharing plans.

Associate members of the association are those that furnish services to the association or to any pension or profit-sharing fund or industry profession or trade that is allied to a pension or profit-sharing fund or that is associated with pension real estate investments.

Those interested in the information/educational services provided may become subscribers to the association.

Additional information on the new association is available from John Tuzzolino at Smith, Barney Real Estate Corp., 1345 Ave. of the Americas, New York, NY 10105, (212) 399-6666.